

Edwina Hart MBE OStJ AC / AM
Y Gweinidog Busnes, Menter, Technoleg a Gwyddoniaeth
Minister for Business, Enterprise, Technology and Science



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref SF-EH-3427-12

Nick Ramsay AM
Committee Chair
Enterprise and Business
Committee
National Assembly for Wales
CARDIFF
CF99 1NA

31st October 2012

Dear Nick

BETS DRAFT BUDGET PROPOSALS 2013-14

In response to your letter of 17 October 2012 and received by my office on 23 October, following the Committee's Budget Scrutiny meeting on 11th October, I am providing additional information to support the draft budget covering your points as follows:

Transparency & Accountability

Points 1 & 2

I will look to update the Committee as appropriate with information regarding progress in achieving our Programme for Government commitments.

Point 3

I would be happy to attend Committee during the next 12 months.

Affordability

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

Wedi'i argraffu ar bapur wedi'i ailgylchu (100%)

English Enquiry Line 0845 010 3300
Llinell Ymholiadau Cymraeg 0845 010 4400
Correspondence.edwina.Hart@Wales.gsi.gov.uk
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Point 4

As discussed in the Committee the financial plans for Enterprise Zones are in development and closely align to the sector approach. I have provided a note at Annex A which explains this in more detail.

All Enterprise Zones will be able to benefit from training and skills provision; high-speed broadband; innovation and R&D support; business rate relief; simplified planning and the marketing advantages that designation as an Enterprise Zone brings. In delivering the Enterprise Zone plans we will work across the Welsh Government, in particular with the Transport and Education portfolios.

In terms of funding, on 23rd October I announced a £20million scheme for Business Rate incentives in all seven Enterprise Zones focussed on new start-ups or SMEs that are expanding and increasing their permanent workforce. My Department's budget is matching the UK Government consequential with £10 million.

We are in close discussion regarding additional capital allocations from reserves with the Minister for Finance on the requirements for infrastructure investment.

Where possible we will seek to maximise investment in Enterprise Zones by drawing on private sector investment, EU Structural Funds and opportunities for innovative financing.

Point 5

I will be making Statements on both City Regions and Powys Local Growth Zones shortly.

I refer to my comments above regarding Business Rates.

Regarding Next Generation Broad Band Wales (NGBW), the £425m project is supported by £205m public sector funding which includes £58.6m of Welsh Government funding (of which £30m is provided from central reserves), £56.9m provided by BDUK and £89.5m of European Structural Funding covering the period from 2012 to 2015.

The outcomes for NGBW are set out in the Programme for Government evidence paper provided to Committee. In terms of specific outputs, the project will create 50 new skilled jobs, 100 new apprenticeships and will provide work experience to 900 young people in Wales, as well as protecting over 320 existing jobs across its business. Project partners BT have also committed to working with Welsh Government through our Supplier Development Service to leverage supply-chain opportunities for Welsh SMEs. We have estimated that

up to 2,500 further full time jobs could be created throughout the Welsh economy over time.

Point 6

I refer you to the answer that I gave in Committee regarding the budget for a feasibility study for the Commonwealth Games in 2026. No budget decisions will be taken until the costs and benefits of the 2014 Games in Glasgow are considered. I have attached a list of projects at Annex B which have been formally approved for 2013-14. There are a significant number of additional events under consideration.

Prioritisation

Points 7 & 8

As discussed in the Committee there is a specific budget for pipeline developments which enables me to have a degree of flexibility in taking advantage of opportunities and economic conditions in delivering growth and jobs. This may be in response to a specific solution to attract an investment in an Enterprise Zone as an example. Any reallocation of resources is done as part of the monitoring process for budgets in BETS and as such it would be inappropriate to publish the rationale for ongoing operational decisions.

Value for Money

Point 9

I have provided a note at Annex A regarding the future strategic direction of the nine key sectors and their relationship with Enterprise Zones, R&D and inward investment which includes a link to the overarching strategies. The financial plans for each sector are considered on an annual basis in line with priorities and opportunities across the Department. We do not propose to publish full three year plans for each sector as we need to retain enough flexibility across the sectors to ensure that we can deliver interventions quickly to support the maximum number of jobs in Wales.

As specifically requested in Committee I have also attached a detailed breakdown of the activity funded by the 'Strategic Investment Support' budget expenditure line at Annex C.

Point 10

The contribution of my Department to economic growth needs to be considered in a wider context and alongside the range of commitments set out

in the Programme for Government to assist economic recovery and growth in Wales.

The Programme for Government identifies a range of indicators that, when taken in the round, will enable the influence and progress of the Welsh Government's delivery to be assessed. The Programme for Government Annual Report contains all the available data on the indicators, including baseline information and analysis, and there are no plans to publish additional analyses for my Department.

I would like to take the opportunity to thank the Committee for the positive comments on how we are delivering the budget priorities in challenging economic times and I welcome the opportunity to discuss the progress and achievements in delivering our key priorities for jobs and growth.

A handwritten signature in black ink, appearing to be 'L. Jones', written in a cursive style.

Annex A

Strategic Direction for the Sectors

The future strategic direction of the nine key sectors has been determined by our Programme for Government commitment to deliver growth and sustainable jobs for the Welsh economy. The success of businesses in the nine key sectors is critical to the future prosperity of Wales.

Each sector has a distinct focus and a strategy for each has been developed, in consultation with panel experts and business partners to support high performing, quality companies which can create employment, wealth and a sustainable Wales.

Each panel has published an executive summary of its strategic priorities which is available on the website:

www.business.wales.gov.uk

Enterprise Zones

Delivery of the Enterprise Zone Programme and Sector strategies is also interdependent. Over the longer-term, the strategic aim is to address the key strategic and structural issues in the Welsh economy, where the greatest impact can be made. Business and investment activity within the seven Enterprise Zones will be a powerful market signal for further investment. The aim in developing the infrastructure and incentives is to deliver the distinct priorities in the sectoral approach for a lasting legacy of jobs and continued growth.

The desired outcomes for the Enterprise Zones (EZ) are:

- Growth of the local economy and provision of new jobs;
- Acting as a catalyst for growth elsewhere in Wales;
- Improve the attractiveness of the EZ for investors;
- Strengthening the competitiveness of the Welsh economy.

Further information is available on the website

www.enterprisezones.wales.gov.uk

Inward Investment

The inward investment strategy focuses primarily on the key sectors although projects from outside of those key sectors are also encouraged.

The trade and inward investment function has been strengthened and its work fully integrated with that of the Sector Teams to ensure a seamless approach to trade and inward investment across the nine key sectors.

The Sector Teams play a key role in delivering sponsored trade missions and exhibitions within the strategic focus provided by the inward investment function.

The inward investment team and each of the sector teams has established strong links with their UKTI counterparts. Building and developing this relationship at the Sector level is a key element of the strategy.

In terms of trade, the strategic aim is to deliver more exports and more exporters. The strategy has four key elements:

- Raising awareness;
- Improving knowledge and skills;
- Finding opportunities;
- Meeting the customer.

The Welsh Government has a presence in eleven locations overseas – Brussels, New York, Washington, Dubai, Tokyo, Beijing, Shanghai, Chongqing, Bangalore, Mumbai and Delhi. This footprint has recently been extended to include the new London office which will focus on inward investment and international trade and build on the First Minister's commitment to take further action to promote Wales to the world to boost the Welsh economy.

Research & Development (R&D)

The planning and operational activity of the R&D function is fully integrated with that of the Sector Teams. Innovation specialists are embedded with the Sector Teams across Wales and provide expert advice and financial support.

This integrated approach is reflected in the capacity building projects that enable the sector teams to expand their Welsh offering and help companies within their sectors to grow. Examples include project SPECIFIC with Tata and Swansea University, and the Creative Exchange Network with Glamorgan University for the creative industries sector.

Innovation specialists and Sector Teams work together to attract and retain key inward investors as was the case with the recent success in attracting Panasonic's new fuel cell R&D facility to Wales.

The work to further develop the Innovation Strategy is being conducted in consultation with all the Sector Panels and will identify key sectors for focus and large scale capacity building.

Annex B

Major Events Projects

Approved for funding in 2013-14

Beyond the Border Storytelling Festival
British Seniors Open 2014
Classic FM Live 2013
Dylan Thomas 100
Extreme Sailing Series 2013
Focus Wales
Gemau Cymru
Glass Butter Beach
Gregynog Festival
International Cricket Council
Champions Trophy
Iris Prize
Ironman Triathlon
International Sports Promotion Society
Handa Celtic Manor Wales Open
Machynlleth Comedy Festival
Merthyr Rock Festival
North Wales Choral Festival
Pembrokeshire Fish Week
Rugby League World Cup 2013
Rugby World Cup 2015
Seniors Wales Open 2012 (Porthcawl
GC)
Slateman & Sandman Triathlons
Speedway Grand Prix
Swn Festival
Wakestock
Wales Rally GB
WOMEX 2013
World Stage Design 2013

Annex C

Tourism Sector

Strategic & Industry Support BEL 6255

The budget for Strategic and Industry Support funds the development of the visitor experience within the Tourism Sector. For clarity in aligning the sectoral activity the BEL will be renamed Tourism – Strategic & Industry Support.

Action	Expenditure Category	2012/13 Supplementary Budget £'000	2013/14 Proposed Budget £'000	2014/15 Indicative Plans £'000
Sectors	Revenue	4,136	3,925	3,925
	Capital	2,595	2,313	2,313
	TOTAL	6,731	6,238	6,238

Revenue Funding

The revenue budget supports the development of the visitor experience by working with the tourism industry and key stakeholders to provide strategic leadership. It includes funding the Tourism Partnership organisations and industry engagement such as the Visit Wales website. It also includes match funding for European projects delivering Coastal and Sustainable tourism.

Capital Funding

The Tourism Investment Support Scheme provides support to small and medium sized businesses for capital improvements. The scheme is continuing and was extended to provide support for infrastructure projects through destination amenity projects working closely with local authorities. The priority is growth and leveraging private sector investment to increase the VFM in jobs.

Since 1 April 2011 TISS has supported 93 private sector tourism projects with grants of nearly £4m securing around £14m of investment. This created/safeguarded 345 jobs.

