

Paper for Council for Economic Renewal

Implementation of Economic Renewal: a New Direction

Purpose

This paper provides information on how *Economic Renewal: a New Direction* is being implemented across the Welsh Assembly Government.

Action Required

That the Council For Economic Renewal notes the activities that have taken place over the past five months to implement *Economic Renewal: a New Direction*.

Businesses and Economic Renewal

Following its launch on the 5th of July, the implementation of *Economic Renewal: a new direction* began immediately, with an ambitious timescale for action to deliver the policy. Put simply, the Welsh economy has not met our expectations. To continue with the same approach is not acceptable. We need a new approach that tackles the systematic issues in our economy and that is what *Economic Renewal: a new direction* is about.

The launch of the policy followed an extensive and innovative period of engagement with the private, public and third-sectors on the strengths and weaknesses of our previous approach and the challenges and opportunities we need to address to improve our prosperity.

The success of this new approach will rely on our continued close engagement with businesses and partners across all of Wales. Advice from outside the Assembly Government, especially from those with a proven track record in business will make our programme stronger.

We are working with Richard Parry-Jones (previously group vice president-Global Product Development, and Chief Technical Officer of at Ford Motor Company), there will be more round-table events with key partners, and we will be drawing on the expertise of the Sector Panels. We want to be engaged with the Council for Economic Renewal so that your views can help us deliver for Wales. We want all our partners guide and challenge us, to make sure we deliver proper economic renewal for Wales.

Delivering Economic Renewal

Economic Renewal: a new direction will facilitate a stronger and more sustainable economy through investing in infrastructure, skills, research and development and improving the conditions within which all businesses operate. The five policy priorities are:

- Investing in high quality and sustainable infrastructure;

- Making Wales a more attractive place to do business;
- Broadening and deepening the skills base;
- Encouraging innovation;
- Targeting the business support we offer to help us gain competitive advantage.

Investing in high quality and sustainable infrastructure

The key commitment for infrastructure is that all businesses in Wales have access to next generation broadband by the middle of 2016, and all households are enabled by 2020. We committed to form a new infrastructure team, to fully integrate infrastructure planning and delivery, to examine the options to develop a Wales Infrastructure Plan, to review our land holdings and develop our approach to premises for business.

Progress on Delivery

We have accelerated our plans to deliver **next generation broadband** to those parts of Wales that the market will not reach, alongside working being undertaken by BT and Virgin Media. The project delivery team has now been established, and the essential steps required to set up the project are at an advanced stage. Discussions with the ICT supply market to test early models and assumptions for the procurement, delivery and commercial structures are underway. We will continue our engagement with potential suppliers and stakeholders between now and February 2011, which will enable us to commence the OJEU procurement process by spring 2011.

Preliminary work is underway in developing a **Wales Infrastructure Plan**. We are exploring the option of using powers under the Planning Act 2008 for the Wales Infrastructure Plan.

We are continuing to use our existing funding tools to support modern infrastructure development, such as the JESSICA fund. We are developing new ways of **funding 21st Century Infrastructure**, and working to redirect the value of our assets to finance digital and wider infrastructure improvements. We are undertaking detailed reviews of our property holdings to determine how to maximise the contribution these assets can make to economic renewal.

Making Wales a more attractive place to do business

We committed to create a more responsive and efficient planning system; to put in place a package of reforms to make public procurement more accessible, so that businesses, small and large, can compete for public sector procurements; and ensure the impact of regulation on businesses is taken into account in all our activities.

Progress on Delivery

We have begun taking forward comprehensive changes to the **Planning Application Process**. Research on improving the planning application process was published in June, alongside our response to the recommendations, all of which have been accepted and are being taken forward. A number of consultations have been issued on making the planning application process much more straightforward.

We are undertaking a review of **planning policy**, to see how the policy framework can further support economic renewal in Wales, which is due to conclude in March. In the New Year we will be piloting planning advice surgeries for SMEs. These will provide guidance on how the planning system works, advice on specific individual planning issues and signposting to appropriate references and services.

We are making it easier for businesses to access Assembly Government **Procurement**, and making it work harder to deliver economic renewal. Development of the online Supplier Qualification Information Database (SQulD) and changes to improve the national procurement website Sell2wales are well underway. There are promising indications from our new approach - to date 12 of the 21 construction contracts advertised this year have been won by Wales based businesses

We are improving the coordination of our processes that lead to **regulations** that impact on business. These will help us better assess the impact of our policies.

Broadening and deepening the skills base

We have committed to building a genuine partnership with employers on workforce skills at all levels, getting our young people motivated and ready for the world of work, and having the skills provision in place so our workforce is able to thrive. Delivering this is a shared responsibility for us as a Government, learning providers, employers and individuals.

Progress on Delivery

The **strategies** “For Our Future” and “Skills that Work for Wales” set out our vision for building skills in Wales, from early years right through to higher level skills. *Economic Renewal: a new direction* reaffirmed the importance of delivering these strategies, and the need for strengthened employer engagement so that demand shapes the supply provision.

On the 15th Sept we announced a new approach to the **Employers Pledge**, aimed at addressing basic skills in the workplace supported by £10m from the European Social Fund. The investment will raise the skills of 30,000 people working in businesses and organisations of all sizes across Wales. 1000 employers are expected to sign up over the next four years.

We are further strengthening the **Apprenticeships** programme, including Shared Apprenticeships, an Apprenticeship 'clearing house', and the Young Recruits, and Pathways to Apprenticeship programmes. We are continuing to help individuals retrain in response to redundancy and businesses respond to the economic downturn. **The Redundancy Action Scheme (ReAct)** helped nearly 16,000 people between 1 October 2008 and 30 April 2010. **ProAct** awarded funding for 250 applications by companies. The total commitment for the 250 companies is over £27m and is supporting 10,600 individuals.

We are continuing to provide funding for training to companies that have identified a specific growth opportunity, through **Skills Growth Wales**. To date, 85 applications have been reviewed with 17 awarded funding totalling over £2.3m, supporting nearly 2,000 individuals. A further 41 companies are developing training plans and if approved the number of individuals covered by these plans will be nearly 6,000.

The **Workforce Development Programme and Employer Hotline** continue to act as a gateway for employers to access these and other programmes including Leadership and Management Workshops, the Enhanced Leadership and Management Skills (ELMS) programme, the Employer Pledge Programme, ReAct and discretionary funding to support bespoke needs. The Sector Priorities Fund Pilot Project is a means through which, working with Sector Skills Councils, we are exploring how solutions not currently available through the mainstream system can be developed.

Encouraging innovation

We stated in *Economic Renewal: a New Direction* that Research funding will focused on the four priority areas, where Welsh HE institutions have the best opportunity to maximise their research performance and economic impact: Digital economy (ICT); Low carbon economy (including climate change mitigation and adaptation); Health and biosciences; and Advanced engineering and manufacturing. We have committed to establishing a National Science Academy.

Progress on Delivery

We began the review of our **business incubation facilities** immediately after the launch of *Economic Renewal: a New Direction*, and that review is nearing completion. Ministers will be making an announcement shortly on how we will support business incubation in the future.

A new funding offer to support **R&D** has been developed and is available to businesses. As well as closer links between business and Higher Education Institutes, businesses can now access finance that will be repayable up to seven years after the final phase of R&D has been completed. This means that businesses will now only repay funding once they have been able to benefit their research.

The Welsh Assembly Government is working with the Technology Strategy Board to explore a **Welsh Small Business Research Initiative** (SBRI). The SBRI programme aims to use government procurement to drive innovation. Options for this are currently being assessed.

Targeting the business support we offer

We are developing a sector-based and more strategic approach to business support, and developing our role as an expert facilitator and enabler. The six key sectors which we are targeting are:

- ICT
- Energy and Environment
- Creative industries
- Life Science
- Advance materials and manufacturing
- Financial and professional services.

Progress on Delivery

The new arrangements for **Business Finance Support** came into force on 1st September. Businesses in Wales (or who wish to be in Wales) can access targeted and focused support. This includes relationship management, skills support, repayable finance targeting the six key sectors, the regional fund, start up and entrepreneurial support. The repayments will be used to fund the next wave of business investments and so create a source of funding for more businesses in the future.

The Single Investment Fund (SIF) is being wound down, with final legacy applications being considered under the previous conditions for business support. We are considering applications that were already in the pipeline at the time of the launch of the new policy direction. New applications were accepted until 31 August providing they were at an advanced stage of discussion.

Working with Local Authorities we have raised the threshold for the **Local Investment Fund** to £10,000 to provide a more responsive offer to meet local needs. Organisations can apply for this and other forms of funding from their local authority.

Business support for sectors such as tourism and food have moved to Assembly Government departments which have specific knowledge of those sectors. For example, support for **food businesses** will now be provided through the Department for Rural Affairs; the Department for Heritage will provides support for **tourism businesses**; and **social enterprises** can now access support from the Department of Social Justice & Local Government.

We are recruiting recognised experts from within the sectors to form the **sector panels**. The panels' remit will be to provide Ministers with advice on the sector, on opportunities for and the needs of the sector, including the skills

base, and help develop and advise on the implementation of policies. The Creative Industries Sector Panel is in place and is chaired by Ron Jones. It held its first monthly meeting on 18 October. The remaining panels will be operational by January.

To ensure that the benefits of the sectoral approach will be delivered, **integrated sector teams**, located across Wales, will be in place by December. The teams will take a holistic approach, providing sector intelligence, advising on business development, R&D, Infrastructure requirements, supply chains, skills, access to finance, foreign direct investment and trade to develop competitive advantage. They will work with the sector panels to develop the Sector Action Plans.

We have launched the **Youth Entrepreneurship Strategy (YES) Action Plan** and **Big Ideas Wales Campaign**. The YES Action Plan aims to support young people in Wales to realise their potential, whether it's setting up in business, working for someone else or doing something in the community.

Concluding comment

Over the past three decades the economic climate and global trade have been transformed. To survive and thrive in this new world, we too must change. Economic Renewal: a new direction means we are now in tune with the challenges of a fast moving globalised economy.

This is not a policy document gathering dust on a shelf, but a plan for action that is already underway. We are now well advanced in our implementation and on target for the major organisational and operational changes to be in place by December.

We have an ambition that lasts beyond the implementation phase of this programme: the benefits of this long-term approach take precedence over short-term headlines. The previous system worked in a previous era; but we agree with the consensus in the business community that it is time for change. This government believes the change we have set in train will help Welsh business drive our country's economy forward.