

DP 137/99-03

**Rt Hon Rhodri Morgan AM**

Our ref/Ein cyf: SF/FM/0098/02

Roger Jones OBE  
Chairman  
Welsh Development Agency  
Principality House  
The Friary  
CARDIFF  
CF10 3FE

February 2002

#### **WELSH DEVELOPMENT AGENCY: REMIT LETTER 2002-03**

1. I am writing to set out my remit for the Welsh Development Agency ("the Agency") for the financial year 2002-03, and to notify you of the Grant in Aid provision established by the Welsh Assembly Government in its Final Budget, approved on 22 November 2001. This letter provides guidance on strategic priorities and actions that I want the Agency to incorporate into its Business Plan for 2002-03.
2. This is the first Remit Letter issued to the Agency and it represents a departure from the Agency's traditional planning cycle. The purpose of the change is to bring together our planning cycles more effectively, and the Letter seeks to combine aspects of both the old Strategic Guidance and the Budget letters.
3. The Remit Letter replaces and supersedes the previous Strategic Guidance Letter. However, for this year only, this letter will also function as supplementary Strategic Guidance, as promised the last Strategic Guidance letter, issued on 21 March 2001.

#### **Financial Provision for 2002-03**

4. The Welsh Assembly Government's budget, finalised on 22 November 2001, gives the following allocations for the Agency:-

<b>Expenditure Groups</b>	<b>£000's</b>
Running Costs	32,210
Capital Expenditure	46,674
Capital Receipts	-4,833
Current Expenditure	155,910
Current Expenditure – Finance Wales	4,546
Current Receipts	-76,787
NLF/PDC	599
Depreciation/Cost of Capital (AME) <sup>1</sup>	40,813
Provisions (AME) <sup>1</sup>	1,100
Structural Funds Partnerships	1,810
<b>Total Welsh Development Agency</b>	<b>202,042</b>

<sup>1</sup> Represents non-cash allocations as a result of the move to Resource Budgeting

5. In addition, you will be allocated £6.3 million as part of the package of support for those areas affected by the Corus redundancies and £6.8 million as part of the Rural Recovery Plan. You have also been allocated £13.1 million for 'special sites' spread over 2001/02 and 2002/03, and £1 million in 2002/03 for the Business Birth Rate Strategy. There are also a number of ring-fenced budgets for individual projects. The Agency must endeavour to spend these amounts within the financial year to which they are allocated, as there can be no guarantee of authorisation to carry forward any funds underspent.

### **Budget Assumptions and Corporate Planning**

6. For the purposes of drafting your Corporate Plan, the Agency should work on the basis of the following indicative allocations for the next two years:-

	<b>2003-04</b>	<b>2004-05</b>
Capital Expenditure	50,321	50,321
Capital Receipts	-4,175	-4,175
Current Expenditure	151,936	151,936
Current Expenditure – Finance Wales	4,500	4,500
Current Receipts	-70,868	-70,868
NLF/PDC	599	599
Depreciation/Cost of Capital (AME)	38,268	38,268
Provisions (AME)	1,100	1,100
Structural Funds Partnerships	1,878	1,878
Running Costs	32,210	32,210
<b>Total Welsh Development Agency</b>	<b>205,769</b>	<b>205,769</b>

7. These indicative allocations will be reviewed each year and the Agency's Corporate Plan should identify outputs based on 90, 100 and 105 per cent of these allocations.

## **A Winning Wales**

8. The policies of the Agency must be in accord with the aims, strategies and programmes of the Welsh Assembly Government. The Agency had a significant involvement in the development of *A Winning Wales*, the National Economic Development Strategy, which was adopted by the Assembly on 13 December. *A Winning Wales* forms the basis for our policies to transform the Welsh economy over the next ten years.
9. In drawing up all its future plans, the Agency must work towards the aims of, and within, the framework provided by *A Winning Wales*. With very much expanded responsibilities for economic regeneration and development, I expect the Agency to take a leading role in delivering the objectives of *A Winning Wales*, in particular, working in partnership with Education and Learning Wales (ELWa) on those many issues where skills development is intertwined with economic development, as well as with other key stakeholders.

## **Key Priorities**

10. In drawing up its future plans, the Agency should seek to strike an appropriate balance between its capital and revenue programmes, and between support for homegrown and Welsh-based businesses and inward investment. It should also take account of the balance of need between the regions in Wales, in terms of the amount and nature of the assistance that each requires in order to maximise its potential and that of the country as a whole. This should include identifying and developing strategic employment sites and ensuring the provision of a suitable range of premises for business. Key priorities for the year 2002-03 should include:-
11. Entrepreneurship/Innovation - Our long term economic ambitions will not be achieved unless the entrepreneurship and innovation cultures in Wales are significantly strengthened. I expect the Agency to give these issues even higher priority in the future and to ensure support programmes are designed to help Wales move into the vanguard of knowledge economy developments.
12. The Assembly Government has given the Agency responsibility for the SMART Wales suite of grants (the Small Firms Merit Award for Research and Technology, Support for Product Under Research and the Regional Enterprise Grant for Innovation) from April 2002. The Agency has agreed to review these schemes, and seek state aid approvals for the revised schemes during 2002/03. In addition, I expect the Agency to play a full role in the implementation of the Entrepreneurship Action Plan and to build on the enterprise programmes inherited from the Training and Enterprise Councils in April 2001.
13. Information and Communication Technology – *Cymru Arlein* – *Online for a Better Wales* sets out the Assembly Government's framework for delivering the benefits ICT can offer Wales. I expect the Agency to play its full part in delivering against the policies and activities set out in *Cymru Arlein*, particularly in delivering Broadband Wales, helping Welsh businesses trade effectively online and combating the digital divide through a combined e-communities programme.

I also expect the Agency itself to partake fully in electronic government by delivering appropriate services electronically and utilising corporate infrastructure such as the Welsh Public Sector Network when available. I expect the Agency to work closely with its key partners, particularly my Cymru Arlein Unit, in delivering this key cross-cutting area.

14. Business Support Review - Following consideration of the recommendations from the Economic Development Committee's Review of Business Support and Development Services, the Agency is now the lead body in Wales for the delivery of business support services. I expect the Agency to work with its key partners in the delivery of all business support services to ensure that these meet the needs of customers with the market meeting those needs wherever possible. I expect the Agency to play a central role in the operation and development of an effective Gateway for Business Support and ensure the delivery of high quality services at the all-Wales and local level.
15. Rural and Community Regeneration - I expect the Agency to play a full and active part in taking forward the Assembly Government's policies for the economic development of rural Wales. This includes Farming Connect and support for rural businesses, implementing the Rural Recovery Plan and continuing the Agency's close involvement in the Wales Rural Partnership. In addition, the Agency should continue to develop and implement policies to support and develop businesses in the Agri-food sector. Throughout Wales, I expect the Agency to work with Local Authorities and other appropriate partners in the context of developing Community Strategies, and the regeneration of communities in Wales.
16. Marketing of Wales - Overall responsibility for the strategy for the marketing of Wales will continue to rest with the Assembly Government. The close synergy between the promotion of Wales as an inward investment location and the wider marketing of Wales as, for example, a tourist destination by the WTB, or suitable site for international trade, requires the Agency and the Assembly Government to work closely together, and with other key stakeholders, in promoting Team Wales. The Agency will also play a leading role in promoting Wales as a destination for UK expansions and for promoting its services to Welsh businesses.
17. Finance Wales – The Agency should promote the growth of its new subsidiary, Finance Wales, in order for it to reach its full operating potential quickly and effectively. I see Finance Wales as one of our key levers for development and expect to see real progress in this area over the coming year.
18. Corus – The Agency should continue its work in relation to the implementation of the support package drawn up as a consequence of the Corus closures and any other subregional strategies.
19. Ryder Cup – The securing of the Ryder Cup, to be held in Wales in 2010, opens up tremendous opportunities to market Wales and attract new investment. I am looking to the Agency to develop its marketing plans and activities to fully exploit the opportunities that the Ryder Cup will present, both in the UK and overseas.

Further, I am expecting the Agency to continue its role in delivering the commitments made in the Bid Document.

## **Europe**

20. The Agency will continue to play a full and effective part in providing executive support for the management of all relevant European funding packages, and I am looking to you to develop the Agency's work in a way which reflects the opportunities which Objective 1 in particular represents. It will be important that optimal use is made of the resources available to the Agency as an element in match-funding packages.

21. I would also like to stress the importance that the Assembly Government attaches to the adherence in Wales to the European Commission's rules governing the provision of State Aids. The Agency is required to ensure that its activities fully comply with the Commission's State Aid rules, maintain adequate records of State Aid provided by the Agency, and make available to Assembly officials such information on State Aid as may be necessary to meet the requirements of the European Commission.

## **Partnership Working**

22. I expect to see the Agency continue and extend its partnership working with the other key players in the economic development field, namely Education and Learning Wales (ELWa), the Wales Tourist Board (WTB), Wales Trade International (WTI) and others. You should also seek to involve other parts of the public sector as necessary, in particular, Local Authorities – themselves a key player in economic and social regeneration - as well as the Voluntary Sector and where possible, include formally all those organisations in the drawing up of the Agency's Business and Corporate Plans.

23. To reinforce the 'partnership' point, my Cabinet colleagues and I are keen for the public to recognise the contribution that the Assembly Government makes through its ASPBs and Agencies. I would like to see a clear acknowledgement of the links between the Agency and the Assembly Government, through clear branding which makes the relationship explicit. Corporate guidance will shortly be issued to assist the Agency with the way in which this is to be achieved.

## **Targets**

24. I summarise below four key indicators of performance, based on the Agency's gross budget for 2002-03 that in the first instance will be used to monitor your high level performance. They have been agreed between us and I believe that they are realistic but challenging. These represent a small subset of the range of indicators and performance indicators that you will be including with your Operational Plan for 2002-03 and that will enable more detailed scrutiny of your activities. I expect the Agency to include in its draft Business Plan, detailed proposals for output targets for 2002-03, including a breakdown between Objective 1 and non-Objective 1 areas.

	2001-02 Target	2001-02 Forecast Out- turn	2002/03 Target
Jobs Created	24,300	13,650	<b>15,000</b>
Jobs Safeguarded	(aggregated)	12,600	<b>16,000</b>
Private Sector Investment	£538.6m	£556m	<b>£620m</b>
New Business Starts	4,236	3,640	<b>4,000</b>

25. I expect the Agency to continue its work on the development of high level three-year strategic targets, in conjunction with Assembly Government officials, as part of its Corporate Planning cycle. These three-year targets should be consistent with the targets in *A Winning Wales* and be based on the net additional value the Agency can bring to the Welsh economy through its activities.

### **Evaluation, Monitoring and Review**

26. It is essential that our economic policy-making be supported by the best possible analysis of the issues and problems facing the Welsh economy. The Agency will participate in the work of the new Economic Research Advisory Panel. It will also support the Assembly Government's new Economic Research and Evaluation Unit in developing and implementing a practical research and evaluation programme to improve our understanding of Welsh economic issues; monitor current policies and inform the development of future policies and initiatives.

27. The Agency must continue to learn from, review and improve on its own performance to ensure that its actions are the most effective and provide value for money. This should include working closely alongside the Assembly Government, the key partners mentioned in paragraph 21 above and relevant others, to ensure effective regular evaluation of its own programmes and to use evidence of "what works" in Wales and elsewhere to inform policy development.

28. Copies of this Letter will be placed in the Assembly Library and copies will be sent to Assembly Ministers, the Chair of each Subject Committee, the Auditor General for Wales, the National Audit Office, Education and Learning Wales, the Wales Tourist Board, the Welsh Local Government Association, the Confederation of British Industry Wales and the Wales Trades Union Congress.