

Written Response by the Welsh Government to the report of the Economy, Infrastructure and Skills Committee entitled 'Enterprise Zones – Boldly Going?'

June 2018

Thank you for the Committee's report on Enterprise Zones. I fully support scrutiny of this important initiative and have been pleased that I, and the Enterprise Zone Board Chairs, have been able to give evidence to assist the Committee's inquiry.

I am proud of the achievements and success across the Enterprise Zone programme to date, guided by the work of the Boards. There has been a strong track record of delivery since the inception of the zones in 2012, with over 10,700 jobs supported to the end of the 2016/17 financial year. Whilst I acknowledge the pace of delivery has been variable across the zones it is important to understand this reflects the different starting points of each zone and their distinctive opportunities and challenges. It is clear that in choosing the location of EZs we did not merely go for the "easiest" options or those with potential to deliver in the short term. Each of our zones is distinct and different. Some of the zones are more investment ready than others, some are able to exploit existing opportunities, whilst others have been focussed upon laying foundations upon which economic and business development can take place over the longer term.

The Enterprise Zones have done much to stimulate economic development locally and, though their inception pre dates the Economic Action Plan, there is great synergy between the work of the Boards and the emphasis the plan places upon the development of the strengths of the various regions of Wales. I continue to monitor and review the programme and its offer to business to ensure it remains competitive, delivers value for money and aligns with Government objectives.

Detailed Responses to the report's recommendations are set out below:

Recommendation 1

While Enhanced Capital Allowances have not to date been used, they are potentially an attractive tool. The Welsh Government should ask HM Treasury to extend these allowances for a further five years and support zones to make best use of these allowances.

Response: Accept

We believe that Enhanced Capital Allowances (ECAs) can be a useful tool, amongst a wider package of measures to attract or bring forward investment and so we negotiated extensively with HM Treasury to secure their availability within three of our Enterprise Zones. The availability of these ECAs are time bound, but I have recently written to the Chief Secretary to the Treasury to

seek an extension, so that we can continue to promote access to ECAs as part of our wider Enterprise Zone offer.

Financial Implications

None. Any additional costs will be drawn from existing programme budgets.

Recommendation 2

The Welsh Government should take a strategic look at the availability of commercial property and industrial units and work with Local Government to ensure that money is available in areas of need to develop suitable units.

Response: Accept

The Economic Action Plan recognises that Wales needs modern sites and premises to allow businesses to expand and grow, and states our intention to set out a delivery plan focusing on regional priority projects. This issue has also been identified as a priority by all of the EZ Boards. I recognise that the availability of modern commercial floor space is crucial to the competitiveness of the Enterprise Zones in Wales and excellent progress has been made regards Property Development Grant funds being made available to support property schemes in various zones. I have also committed to delivering a new 50,000 sq. ft. building at Ebbw Vale, and a joint venture between Welsh Government and Isle of Anglesey County Council to deliver new starter units at Penrhos has recently been announced.

I will also be seeking advice from the Development Bank Wales to ascertain the potential for a “Commercial Property Fund” to support development of further units across Wales.

One of the most successful aspects to the Enterprise Zone programme has been the support across different WG teams to prioritise investment in major infrastructure projects for EZ locations. This has been the case for WG investment in broadband connectivity, road infrastructure and property infrastructure. Enterprise Zones will continue to be a priority for the selection of further property development projects and we will work with key stakeholders to achieve our aims and objectives.

Financial Implications

None. Any additional costs will be drawn from existing programme budgets.

Recommendation 3

The Welsh Government should return to annual reporting of the Enterprise Zones, with clear data provided for each zone and a detailed breakdown of the assistance given to firms directly or indirectly supported by them. There should be more transparent reporting of investment in each of the enterprise Zones, with accurate data for specific zone-related investment not conflating wider Welsh Government spending.

Response: Accept in principle

We have reported annually against Enterprise Zones and I will shortly publish the outturn figures for the 2017/18 financial year. I am reviewing and updating the information which will be released in the future and will take the views of the Committee into account in this aspect.

Financial Implications

None. Any additional costs will be drawn from existing programme budgets.

Recommendation 4

The Welsh Government should continue to provide disaggregated annual data for jobs created, safeguarded and assisted in each zone.

Response: Accept

I was pleased to provide the Committee with disaggregated annual data for each zone earlier this year and will continue to publish this information on an annual basis.

Financial Implications

None. Any additional costs will be drawn from existing programme budgets.

Recommendation 5

The Welsh Government should make its priorities for each of the Enterprise Zones explicit, publishing clear annual targets, and the Cabinet Secretary should commit to publishing a Written Statement outlining the Welsh Government's policy on the future funding, roles and operational timespan of the Enterprise Zones.

Response: Accept in principle

I have asked all Enterprise Zone Board Chairs to work with their members and my officials to update their Strategic Plans to set our priorities and objectives for the years 2018 – 2021 for publication towards the end of their current terms. I have also asked my officials to commission a comprehensive review of the Enterprise Zone programme and this work will set the future direction for the programme. I will give consideration to publishing a further Written Statement when this work is complete.

Financial Implications

None. Any additional costs will be drawn from existing programme budgets.

Recommendation 6

The Welsh Government should ensure that the aims of any future regional approaches to economic development are, for each individual region or local area: clear and realistic; sufficiently detailed as to allow an understanding of the challenges faced; and accompanied by detailed, open, transparent and appropriate monitoring data.

Response: Accept in principle

Our Economic Action Plan places a strong emphasis on regional economic development and the importance of recognising and responding to the different opportunities and challenges in each region. We will be taking a new approach to regional economic development and it will be based on the principle that places matter and that the benefits of growth are felt more evenly across Wales. We will be working with stakeholders in the regions to deliver this in a coherent and transparent way.

Financial Implications

None. Any additional costs will be drawn from existing programme budgets.

Recommendation 7

The Welsh Government should reconsider its proposed merger of the Anglesey and Snowdonia Boards.

Response: Accept in principle

I announced my intention to merge the two Boards at some point beyond July 2018 based on the significant areas of synergy between the two, whilst mindful also of the need to retain the expertise relevant to both areas and the distinct focus on the opportunities associated with both. I have taken advice from the Chairs of the Anglesey and Snowdonia Enterprise Zone Advisory Boards and together with my officials will consider the appropriateness and timing of the merger of the two Boards further. The aim will be to ensure a smooth transition that meets the needs of the region.

Financial Implications

None. Any additional costs will be drawn from existing programme budgets.

Recommendation 8

The Welsh Government should set a clear direction of what it expects the Port Talbot Enterprise Zone Board to achieve, and a clear timetable to achieve it, so that the Board can be wound up once this work is completed.

Response: Accept

I have asked the Chair of the Port Talbot Waterfront Board to commission a piece of work to develop a detailed Strategic Plan for the Zone which will set a clear direction, objectives and priorities for the years 2018 -2021. This work will conclude in late summer and will include key timescales and milestones for the Board. I will review the need for the Board to continue in line with those identified timescales, nearer the end of its new tenure in 2021.

Financial Implications

None. Any additional costs will be drawn from existing programme budgets.

Recommendation 9

The Welsh Government should clarify the relationship between the new regional directors heading up economic development and the Enterprise Zones, and the business community in areas where the Boards no longer exist.

Response: Accept

The Chief Regional Officers have a very clear role to be the voice of the region in Welsh Government and the voice of Welsh Government in the regions. This requires them to bring regional partners together to identify priorities and provide leadership, coordination and alignment within the region. As such, they are the glue which will bind economic development activity at a regional level together and they are already building strong relationships with the business community, Enterprise Zones and others in the regions. Where the Board of the Enterprise Zones are changing successor arrangements will be fully considered and implemented to ensure full coverage

Financial Implications

None. Any additional costs will be drawn from existing programme budgets.

Recommendation 10

The Welsh Government should set out, where alternative governance arrangements are being established (Ebbw Vale, Deeside), full details of the way in which new bodies will operate, how they will continue the work of Enterprise Zone Boards, and where they will have different duties.

Response: Accept

Work is in hand to establish governance arrangements to oversee and support the Tech Valleys initiative in Ebbw Vale and the AMRI project in Deeside. In addition my officials are considering proposals from Blaenau Gwent County Borough Council for the establishment of a local authority led, more locally focused Enterprise Board in Ebbw Vale. I will make announcements on the new governance arrangements for each of these projects in due course.

Financial Implications

None. Any additional costs will be drawn from existing programme budgets

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Ysgrifennydd y Cabinet dros yr Economi a Thrafnidiaeth
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