

**ECONOMIC DEVELOPMENT & TRANSPORT COMMITTEE**

**Date:** 9 February 2005  
**Time:** 9.00 am to 12:30 pm  
**Venue:** National Assembly for Wales, Cardiff Bay  
**Title :** ECONOMIC DEVELOPMENT & TRANSPORT MINISTER'S REPORT

**Economic Overview**

1. Quarterly Economic Report [EDT2 03-05(p2)] and Quarterly Statistical Bulletin [EDT2 03-05(p3)].

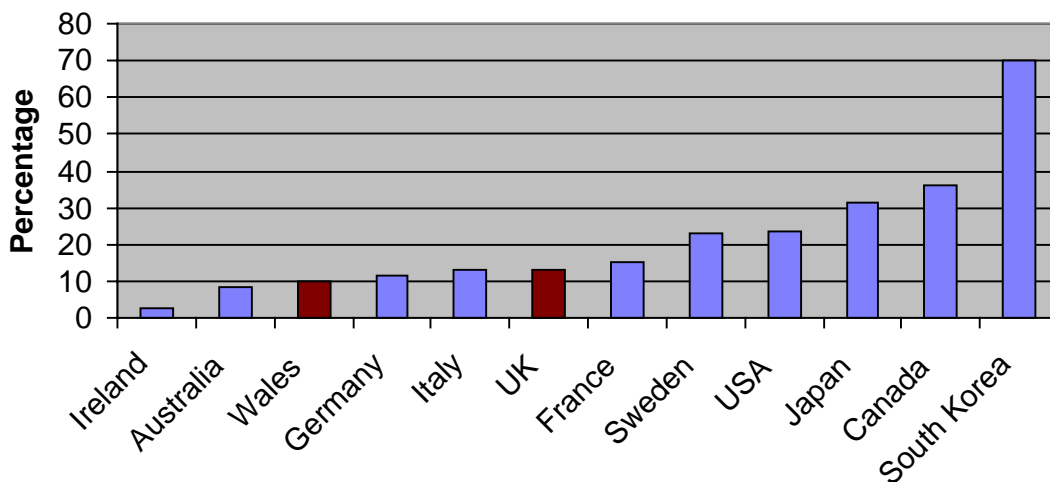
**Encouraging Innovation**

2. **Finance Wales** - I am delighted with the recent news that Finance Wales nearly doubled the number of investments it made in 2004 compared with 2003. Just as pleasing is that since inception, Finance Wales has directly invested over £30million in 840 SMEs, leveraging in a further £113 million of private sector funding. Overall, this has helped create and safeguard over 10,000 jobs. This reflects excellent levels of activity. Furthermore, Finance Wales has indirectly assisted a further 1200 SMEs with their funding requirements, also providing their free financial management expertise.

**Promoting ICT**

3. **Broadband Comparison Information** - In September 2004, I made a commitment to present the committee with some statistical data to show how Wales compares in terms of broadband take up with other parts of the UK and indeed other parts of the world. The following tables have been produced, detailing broadband take-up in Wales compared with other areas of the world.
4. One of the main concerns of the Broadband Wales Programme has been the distinct lack of useful comparative data, which presents the Welsh situation against the UK and further afield. The Broadband Wales Observatory has examined this issue and has identified a need to commission specific research that will present a more robust view of the situation in Wales compared with the UK and internationally.
5. However, the following charts represent a snapshot of the situation, using a range of data sources currently available. When examining residential take-up of broadband, there is no study that offers the level of comparison required. The following chart has used an estimated Welsh figure based upon extrapolated data from a range of sources, comparing it with an existing report outlining take-up across a range of countries. This is representative only as there are degrees of incompatibility with the data sources used.

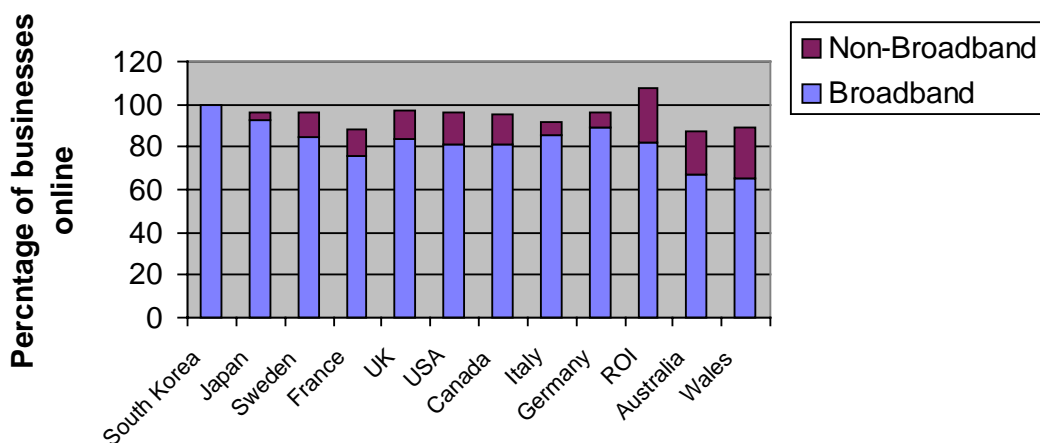
## Residential Broadband Penetration



Source: Analysys Research, International Broadband Market Comparisons April 2004

6. In the area of business take-up the following chart highlights the Welsh position again in an international context.

## Broadband Business Connection (Worldwide) 2004



Source: DTI International Benchmarking Study, June 2004

**Note:** The above DTI survey sample is biased towards large corporates, of which Wales has less than the UK average, and is dependent upon a small sample size.

7. The Broadband Wales Unit has recently undertaken a more robust survey of Residential and Business users, the results of which will be published mid-February 2005.

## Supporting Business

8. **Business Eye** - has launched a television advert as part of its ongoing marketing campaign. The advert was broadcast in a number of slots on HTV Wales between 17<sup>th</sup> & 31<sup>st</sup> January. A Welsh language version of the advert will be broadcast on S4C from 7<sup>th</sup> to 27<sup>th</sup> February. The current campaign focus is to raise awareness of the service amongst established business in Wales.
9. Another strand of this campaign is the direct mail exercise, starting on 26<sup>th</sup> January, which provides businesses with personalised information about Business Eye. Over a 12-week period 60,000 VAT registered businesses in Wales will receive information encouraging them to use this free, impartial service to answer their ongoing business questions.
10. **Opportunity Wales** - has received approval to provide eCommerce support for SMEs in Objective 2 Core and Transitional areas of Wales. Combined, the Objective 2 Core and Transitional projects total £3.65m, with £1.12m committed from EU funds. Match funding partners include Cardiff University, BT, Coleg Powys, RNID Cymru and a significant investment of just over £2m by the Assembly Government under the Pathway to Prosperity Programme.
11. **WASP** (Wales Application Service Provision) - continues to build on its 2004 success. Providing a complete IT outsourcing service, the project was recently commended in the national press for providing benefits to Welsh Manufacturers. WASP IT has created highly skilled ICT jobs within its parent company.
12. The 2<sup>nd</sup> phase of the project has recently been approved with three times the capacity of the original and which is able to serve a further 80 companies and 1200 users. The Assembly Government has provided match funding of just over £1.5m under the Pathway to Prosperity Programme.
13. **Structural Funds** - continue to make good progress and provide tangible benefits throughout Wales. I will provide the latest progress information for the end of January in my oral update.
14. **Preseli Community Biomass Project** – I visited Ysgol y Preseli, Pembrokeshire, on 20 January to view a project that provided sustainable carbon neutral heating system for a rural community. The project received over £55,000 Objective 1 funding against a total project cost of some £100,000 to install. On the same day I also launched **PACT** (Partnership for Community Action) in Tumble, Carmarthenshire. This project was awarded Objective 1 funding of £3.9m against a total project cost of £8.8m to deliver a Community Action Fund (CAF) for community groups and organisations within areas of Carmarthenshire.
15. **Visit by Commissioner Borg** - visited Aberystwyth on 28 January and discussed a number of projects supported by the FIG fund of the Objective 1 Programme, including the development of Fishermen's Association (£72,6543 FIG grant, total project cost £96,872), Fishing Vessel Refits (£76,991 FIG grant, total project cost £102,656) and Safety Equipment Upgrade (£38,420 FIG grant, total project cost £51,227).

16. **WDA Property Development Grant Scheme Launch** - allocated Objective 1 funding of £8.2m against a total project cost of £29m. This scheme will help build on Wales' international reputation as a location of choice for business.
17. **Welsh Contact Centre Forum** - I recently met with the Managing Director of the Welsh Contact Centre Forum to discuss progress of the ongoing strategic development for the contact centre sector on a national basis. The Welsh Contact Centre Forum was established in April 2004 to build upon the foundation already created by the Cardiff and Newport Call Centre Initiative, although now with an All Wales remit. The Forum represents its members at international and local levels, work with contact centre employers in Wales to encourage best practice and improve perceptions and raise the profile of Contact Centres in Wales to all client bases.
18. **Financial Services Industry Meeting** – Along with the First Minister, I met representatives of the Financial Services Industry in London on 27<sup>th</sup> January with a view to hearing their views of the future direction of the sector and opportunities for Wales.
19. **Property Strategy** - Following my approval of the Property Strategy for Employment in Wales on 30 September 2004, and the presentation of the Strategy to the Committee on 1 December, I have now approved “in principle” two initiatives to fund projects in the delivery of the Property Strategy:
- i) **Welsh Investment Strategic Partnership (WISP)**  
The WDA proposes to enter into a Strategic Partnering Agreement with the private sector for the development, initially, of some 400,000 sq ft of high quality office and high technology business space in key locations across Wales. It is proposed that the Agency will enter into agreements to lease each building as the single strategic partner and sublet the properties to occupiers.
  - ii) **Dragon Properties LLP**  
It is proposed that the Agency enters into a new 50:50 partnership with a private sector developer to undertake small-scale speculative development in the Objective 1 areas of Wales, totalling an estimated floor area of some 300,000 sq ft. This proposal almost directly mirrors the established Welsh Industrial Partnership approved by Welsh Assembly Government in 2002.
20. Full approval of both initiatives will be subject to the outcome of further analysis and negotiation. The Agency will also be submitting for my approval shortly the detailed two year Property Programme.

### **Setting a Fresh Direction**

21. **Visit to Navarre** - I will be leading a delegation of Welsh Local Authority representatives to the regional government of Navarre, Spain between 10 and 14 February. The visit will provide an opportunity to see at first hand the scale of

development required to meet the Assembly Government's 2010 renewable target and to understand the policy underlying the draft Technical Advice Note 8 on renewable energy.

22. In addition, I would hope that it will also allow delegates the opportunity to understand and see the benefits that Navarre's development model for renewable energy can potentially bring to Wales. Furthermore, the delegates can witness how sensitively sited wind projects have accrued very high levels of public support for renewables and in particular onshore wind. The visit will allow the full range of issues associated with real large-scale renewable developments to be actively considered and understood.

### **Improving Transport**

23. **Rail Passengers Committee Wales Conference** - I announced on 26 January, details of a major investment to enhance capacity by 20% on the Valley Line train network to relieve overcrowding. This additional investment, worth £50 million over the course of the franchise, will allow the leasing of fourteen additional vehicles to be used on weekday peak services.

### **JOB & INVESTMENT NEWS**

#### **Job Gains:**

24. **UK-Euro Group, Aberdare (United Polymers)** – Very pleased with the announcement that UK-Euro Group has bought United Polymers out of administration. The company is a pollution control specialist. The new operation will continue to produce rubber and plastic-moulded products for a number of blue chip automotive companies, but UK-Euro will look to diversify its range by utilising its industrial pollution control expertise. The acquisition will ensure that manufacturing of automotive products will continue at the plant. RSA and Finance Wales support have been provided to support the acquisition.
25. **Citiraya Ltd, Hirwaun** - Announced on 20<sup>th</sup> January (the same day as the Sony jobs loss announcement) that they were investing £1 million opening a CRT recycling facility. Company is part of a global, Singapore based, Group. Investment was backed by a £320,000 RSA grant. Grant was offered towards the leasing and fitting out of the facility. The facility is expected to create 70 jobs.

#### **Job losses:**

26. **Sony** – announced on 20 January that 84 jobs in Bridgend and 210 at Pencoed were to be lost. The reason for the redundancies is that the company is restructuring their manufacturing facilities in Wales following a fall in the sale of CRT (Cathode Ray Tube) Televisions. Officials at the WDA and the Assembly Government are working with the company to help those affected.

**Action Outstanding from EDT2 13-04, 22 September 2004**

**Broadband Wales to provide a league table of the take up of Broadband in Wales compared to other countries, split between the private sector and other users (Item 3.6)**

Covered in Minister's Report

**Action Outstanding from EDTC 10 Nov 2004**

**Economic Development and Transport Minister to provide areas of match funding which did not appear in the budget figures (item 2.15)**

The figures requested are shown in the tables below.

**Table 1: EDT MEG allocated by Spending Area**

EDT Spending Areas	£000s			
	2004-2005 Original Plans	2005-2006 New Plans	2006-2007 Indicative Plans	2007-2008 Indicative Plans
Innovation and Competitiveness	108,260	119,110	126,860	121,860
Entrepreneurship	80,198	80,198	80,198	80,198
Telecommunications Infrastructure	35,568	35,823	37,568	35,568
Property and Related Infrastructure	62,362	62,362	62,362	62,362
Regeneration Packages	77,725	89,125	86,225	84,725
Domestic and International Business Promotion	55,281	55,281	55,281	55,281
Support for Employment Creation	89,212	89,212	89,212	89,212
Tourism Promotion	24,034	24,034	24,034	24,034
Maintain the Trunk Road Network	465,552	466,244	466,244	466,244
Improve the Trunk Road Network	54,831	65,458	74,478	79,341
Improve Rail and Air Services	16,879	31,980	24,565	23,715
Improve Local Roads	52,246	55,883	55,883	55,883
Improve Integration and Delivery of Local Transport Services	109,777	119,958	123,173	126,923
Improve Road Safety	12,363	12,914	12,914	12,914
Improve the Quality of the Local Environment	3,925	4,075	4,075	4,075
Support Walking and Cycling	9,241	12,501	12,501	12,501
<b>EDT Sub-Total</b>	<b>1,257,634</b>	<b>1,324,158</b>	<b>1,335,573</b>	<b>1,334,836</b>

Budgets not included in this apportionment are shown in Table 3.

The figures represent our best apportionment of expenditure by spending area but many assumptions have been made and more detailed work is needed. The figures are based on estimated 2004-05 expenditure, which has been rolled forward into future years except for areas where there are already planned changes.

Table 2: Structural and Match Funding Apportioned by Spending Area

EDT Spending Area	£000s						Total
	ERDF	ESF	EAGGF	FIGG	LRF	P2P	
Innovation and Competitiveness	19,710	3,272			1,786	1,274	26,042
Entrepreneurship	9,512	14,620			845	1,786	26,745
Telecommunications Infrastructure	9,269				9,890	2,172	21,331
Property Related Infrastructure	15,888				4,542	2,566	22,996
Regeneration Packages	32,485				2,158	321	34,964
Domestic and International Business Promotion	1,241	768			3,242	39	5,290
Support for Employment Creation	25,987	2,851			892	3,921	33,651
Tourism Promotion	5,176					1,385	6,561
Improve Integration and Delivery of Local Transport Services	10,178				3,615	1,647	15,440
<b>Spending in Other Areas</b>							
Education and Lifelong Learning	6,657	46,545			1,057	1,874	56,133
Environment Planning and Countryside	8,295		15,881	1,684	5,561	1,681	33,102
Social Justice and Regeneration		3,839				352	4,191

This apportionment is based on estimated 2004-05 expenditure against planned provision, and allocates expenditure against priorities and measures for the structural funds programmes to EDT spending areas. The same method was then used for apportioning LRF and P2P.





Table 3: Reconciliation of budgets not included in Table 1

EDT MEG	£000s			
	2004-2005 Original Plans	2005-2006 New Plans	2006-2007 Indicative Plans	2007-2008 Indicative Plans
<b>Budgets not allocated</b>				
Euro Facilitators	500	500	500	500
WDA Current Expenditure (for Health Challenge Wales)				1,700
WDA Current Receipts	-6,000	-6,000	-6,000	-6,000
WDA NLF/PDC	1,000	1,000	1,000	1,000
WDA Provisions	1,100	1,100	1,100	1,100
WDA Structural Funds Partnership	1,225	1,225	1,225	1,225
European Structural Funds Programme Support	779	779	779	779
<b>Sub-Total</b>	<b>-1,396</b>	<b>-1,396</b>	<b>-1,396</b>	<b>304</b>
<b>Spend on other portfolios</b>				
Education and Lifelong Learning	56,133	56,133	56,133	56,133
Environment Planning and Countryside	33,102	33,102	33,102	33,102
<b>Social Justice and Regeneration</b>	4,191	4,191	4,191	4,191
<b>Sub-Total</b>	<b>93,426</b>	<b>93,426</b>	<b>93,426</b>	<b>93,426</b>
<b>Totals from Table 1</b>	<b>1,257,634</b>	<b>1,324,158</b>	<b>1,335,573</b>	<b>1,334,836</b>
<b>Overall total</b>	<b>1,349,664</b>	<b>1,416,188</b>	<b>1,427,603</b>	<b>1,428,566</b>
<b>MEG Provision</b>	<b>1,349,664</b>	<b>1,416,188</b>	<b>1,427,603</b>	<b>1,428,566</b>

**Action Outstanding from EDTC 1 December 2004****WDA to provide further details of how many enquiries to Farming Connect were related to tourism (item 3.14)**

To date, 3574 development plans have been completed, and of these 375 have been referred to the Wales Tourist Board for assistance in developing tourism initiatives. This does not reflect the total numbers that may have initially been interested, but certainly confirms those that have shown a firm commitment to develop a tourism venture.

**EDTM to report to the Committee on the reasons behind the recent unsuccessful bid for Objective 1 funding for Swansea Waterfront (item 4.11)**

The Committee asked for further information regarding the unsuccessful Swansea Strategic Waterfront Town Centre Regeneration bid for Objective 1 funding. Following the recommendations of the Objective 1 Mid-term Review, Priority 6, Measure 3 (Sites and Premises) was expanded to provide for the regeneration of town centres. £10m of funds from the Performance Reserve was allocated to the Measure to fund such activity.

The Swansea project was one of fifteen applications submitted to WEFO as part of a competitive bidding round, where the total amount requested was approximately £38m of ERDF grant. Projects were assessed according to five key criteria (impact, strategic content, partnership, innovation and delivery) which had been agreed between WEFO and the Objective 1: Priority 6 Thematic Advisory Group (TAG 6) and set out in Partnership Bulletin 16/04 issued in April 2004. During the TAG 6 meeting on 19 October 2004, five of the fifteen projects submitted were selected to be taken forward to full appraisal and it was agreed that a reserve list of two projects, including the Swansea bid, would be taken forward to full appraisal should additional ERDF funds become available for such project activity.

The Swansea Strategic Waterfront Town Centre Regeneration project continue to be held on a reserve list. Priority 6 Measure 3 was reviewed with TAG 6 on 21 December. The £10m allocated from the performance reserve will be taken up by the five priority Town Centre Regeneration projects, all of which are under appraisal and making progress. WEFO has recently written to the project sponsors informing them of the position and letting them know that the Measure will be reviewed again in April 2005.

**WDA to provide further details on the fall in income from the Pathway to Prosperity fund (Item 3.24)**

Letter attached as PDF document.

**Action Outstanding from EDTC 19 January 2005**

**Economic Development and Transport Minister to provide more detail of the WDA proposal to underwrite rental as a new funding mechanism (item 2.4)**

Covered in Minister's Report to EDTC 9 February.

**EDT Minister to take up matter of Batteries and Accumulators Directive with the Minister for Environment, Planning and Countryside (item 2.6)**

Meeting to be arranged.

**EDTM to provide further information on what proportion of income International Property was for Welsh media Companies (item 2.9)**

It is assumed that **International Property**' was a misprint and should have read **'Intellectual Property**'.

As recognised by the DCMS, data for the Creative Industry sector is not easily assembled. It is also difficult to clearly ascertain the proportion of income coming from I.P. content. I.P. content does not figure on any company balance sheet and companies don't illustrate which part of their income comes from I.P. In consultation with the sector in Wales, the Driscoll report points out how important the retention of I.P. is for companies.

Historically T.V. production companies passed I.P. content to the broadcasters. Ofcom has now insisted that the I.P. remains with the Production Companies. Welsh companies now have the opportunity to exploit their I.P. The new initiative will be working with companies to ensure this opportunity is taken up.

The new Advisory body for the Creative Industry sector will be considering ways of measuring outputs. It will consider how retention of I.P. can be measured and developed.

**EDTM to provide Members with details on the latest position on the recent closure of the A470 following the landslide at Dinas Mawddwy (item 2.12)**

Information circulated to members on 27 January.

**EDTM to provide update on Heads of the Valley Strategy (item 3.4)**

Due to the timescales relating to the production of the strategy, it is recommended that it is brought before the committee in March,

**EDTM to discuss issues concerning the social enterprise network with the relevant Minister (item 3.5)**

Meeting to be arranged with relevant Minister. EDTM will also raise it at his meeting with Gareth Hall on 21 February and provide an update.

**EDTM to provide a comparison of retrospective projects for 2003 against those for 2004, detailing the nature of the project and the amount for the latest projects regarding spending levels under Objective 2 (item 3.8)**

Information awaited.

**EDTM to provide to provide further Information on how many of the 37,500 jobs created by the Objective 1 Programme by the end of December 2004 were full-time/part-time, the gender balance, which sectors the jobs had been created in and how many involved training as a part of the job (item 3.9)**Full time / Part time

Jobs created are reported and recorded as Full Time Equivalents (FTEs). According to agreed definitions, if a post involves working 30 hours or more per week then it is counted as 1 FTE. If a job involves working fewer than 30 hours per week, then the total hours worked each week are divided by 30 to give the proportion of FTE represented. For example, 18 hours per week would be recorded as 0.6 FTE.

Seasonal jobs may also be counted, so long as the job is expected to recur indefinitely. As an example, if a job is 30 or more hours per week for 3 months per year, then it is counted as 0.25 FTE. If a job is 15 hours per week for 3 months per year then it is counted as 0.125 FTE (0.5 x 0.25).

Gender Breakdown

	Male	Female	Don't know	Total
<b>Actual gross new jobs</b>	6,879	5,251	25,425	37,554

The jobs created figure is calculated from several outputs:

- Gross new direct jobs;
- Gross new indirect jobs;
- Gross new direct jobs in high technology;
- No. of gross new jobs in community-led projects and community enterprises ;
- No. of gross new jobs in food processing;

- A proportion of jobs accommodated.

Gender breakdown is only currently available for gross new direct jobs. The breakdown consists of FTEs split according to the gender of the person occupying the job. If this information is not provided then “Don’t know” is recorded. Some projects report a high proportion of “Don’t knows”; WEFO is aware of this problem and is currently investigating possible solutions.

#### Sector breakdown

Sector breakdowns are not recorded routinely for jobs created. However, information provided to the Economic Development and Transport Committee in response to an action point from 22 September 2004 (Item 4.9) on jobs created through regional projects uses categories related to the previous Regional Partnership structures. Although the Regional Partnerships no longer exist, for data collection purposes, projects are still classified according to these categories.

<b>Partnership</b>	<b>Gross New Jobs (Actual)</b>	<b>Gross Jobs Safeguarded (Actual)</b>
<b>Agri-food</b>	86	1,289
<b>Business Support</b>	4,056	2,131
<b>Community Regeneration</b>	4	0
<b>Entrepreneurship</b>	8,072	0
<b>Forestry, Countryside and Coastal Management</b>	26	1,060
<b>Human Resource Development</b>	0	4,115
<b>Information Age</b>	3,402	1,151
<b>Innovation/R&amp;D</b>	2,115	8,138
<b>Regional projects – other</b>	343	512
<b>Tourism</b>	3,001	2,743
<b>Total</b>	<b>21,103</b>	<b>21,138</b>

Some assessment of the quality of jobs created, including the sector in which they are created, will be made as a part of the Mid Term Evaluation Update for the Objective 1 Programme.

In addition, information on the number of jobs created or safeguarded is available at Priority and Measure level (reported to each Programme Monitoring Committee meeting), with each Priority having a different focus. For example, Priority 3 is for community economic regeneration and Priority 5 is for rural development and the sustainable use of natural resources. Priorities and Measures have targets for the number of jobs created/safeguarded, as well as other outputs such as number of beneficiaries trained or SMEs assisted.

#### Training as a part of the job

Information is not recorded as to whether or not jobs created involve training.

**EDTM to report in due course on the outcome of discussions with ONS about anomalies that seem to exist in the GVA data (item 5.3)**

Officials are preparing analysis to inform our discussions with the ONS, and the results of these discussions will be reported when they are complete.

**EDTM to provide further information on the work that was progressing on alternative economic indicators (item 5.6)**

An initial review of the evidence has confirmed that, despite its well known limitations, as the only measure calculated on a common basis to officially agreed standards across countries and regions, GVA should continue to play a key role in monitoring economic development.

The limitations of GVA do not necessarily mean that it exaggerates growth - the omissions reflect both positive and negative factors. Thus the failure to account fully for the effects of pollution and resource depletion will be offset, at least in part, by the omission of measures of the benefits from improved longevity and better health and the incomplete measurement of the benefits from new goods.

In practice, GVA often measures changes in economic prosperity quite well. At base, GVA reflects the numbers of people in work and the value of what they produce. An increase in either, or both, of these would normally be welcomed.

However, at low geographical levels, for example NUTS3, GVA per head can be misleading, for example as a result of variations in commuting patterns and the proportions of dependent people. At such low geographical levels, associated measures such as household income are more appropriate.

At least over the medium term, the focus should be on complementary measures designed to monitor changes in the factors omitted from GVA, rather than on measures designed to replace GVA and its associated measures such as household income.

We are committed to developing such complementary measures. One of these, the ecological footprint of Wales, is already part of our sustainable development indicator set. Ministers also have under consideration the interim recommendations of the Sustainable Development Indicators Working Group, who have recommended: continued use of GVA as an indicator of economic activity; adoption of a biodiversity index; development of an index of fairness/equality that would draw on data used in the Index of Multiple Deprivation; and monitoring development of the Index of Sustainable Economic Welfare, and reporting it, but not adopting it as an indicator at present.

In addition, we are proposing to develop, on a pilot basis, a set of environmental accounts for Wales. These accounts will follow internationally

agreed standards, and will facilitate the assessment and monitoring of the environmental effects of economic activities.

Over the longer term, it may be worth continuing to explore options to develop more comprehensive measures to replace GVA, but, to ensure robustness and comparability, this needs to be done on a basis that is agreed both across the UK and internationally. Initial research at the UK level has indicated that, because the omissions go both ways, a fully comprehensive measure might show that over the medium to long term, growth has actually been more, not less, rapid than indicated by GVA as currently measured.

**EDTM to provide further information on the number of jobs now being created in Wales compared to the rest of the UK (item 5.7)**

To be covered at 9 February EDTC, as part of discussions relating to Quarterly Economic Report and Quarterly Statistical Report.

**EDTM to provide a progress report on the Corus Response Plan (item 5.8)**

Information awaited.

**EDTM to provide some information showing how Wales compared with other nations with regard to Broadband take up (item 5.9)**

Covered in Minister's Report to EDTC 9 February.

GARETH HALL

CHIEF EXECUTIVE : PRIF WEITHREDWR



14 December 2004



BUDDSODDWR MEWN POB  
INVESTOR IN PEOPLE

Alun Cairns AM  
National Assembly for Wales  
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CARDIFF  
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*Dear Alun,*

Thank you for your letter dated 13 October 2004 regarding various aspects of WDA funding. As explained in our letter of acknowledgement, this was received by the Agency on the 22 November 2004.

I would like to confirm and agree with your comments that the WDA has made significant use of European Funds as a key lever in seeking to improve prosperity across Wales. Indeed the Minister for Economic Development & Transport has made it clear on a number of occasions that this is the number one priority. Consequently, the Agency as one of the key deliverers of the Welsh Assembly's Government economic agenda, has ensured during the process of prioritising resources that account is taken of maximising the use of European Funds.

I believe that it is important for me to briefly set the context and background against which I can then address the specific issues that you raise in your letter.

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First, I need to emphasize that the requirement for match funding resources is demand led and budgets outlined in the Agency's Business Plan are, of course, set on the basis of best estimates at that time, estimates which are continuously monitored and amended in accordance with changing circumstances.



Second, and perhaps more importantly, you will of course be aware that the Pathways to Prosperity match funding pot set up by the Assembly Government was created so that worthwhile projects can bid for funding only after all other sources have been exhausted. It is a pot of last resort and the Agency is, therefore, expected to utilise significant levels of its own Grant-in-Aid allocation to provide match funding under the current Structural Funds Programme, as was the case under the previous Programme. Last year (03/04) the amount of core GIA used to match fund EU projects was £17m and in this year (04/05) the amount is forecast to be £23.6m.

Taking these matters into account it is inevitable that the level of funds which the Agency requires from the Pathways to Prosperity match funding pot will vary from year to year, depending upon the spend profile of projects and the level at which the Agency can use its own resources to match fund the European grants.

Turning now to the specific figures quoted in your letter. The proposed Pathway to Prosperity match funding of £26.849m shown within the Agency's business plan at the beginning of the 2003/04 financial year was the Agency's forecast requirement. This was based on the estimated profiles of expenditure on both approved and pipeline European funded projects. At the half way stage in each financial year it is practice for the Agency, in consultation with Assembly Government officials to undertake a formal review of all its budgetary requirements and to make the necessary adjustments to reflect the latest outturn forecasts. It was at this stage i.e. October 2003 and following discussions with officials on how the Agency can review its activities to maximise use of its own funding to support Structural Funds projects, that the budget requirement for Pathways to Prosperity match funding in 03/04, covering numerous projects, was revised to £21m.

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INVESTOR IN PEOPLE

Similarly, for the 04/05 financial year, the Agency's business plan proposed a budget of £10m, which took account of anticipated Pathways to Prosperity Match Funding availability, estimated expenditure profiles on European funded projects, together with the Agency's ability to find match funding from within its own resources, whilst at the same time being conscious that bidding for funds from the Pathway to Prosperity pot should only be made when other sources have been exhausted.

With regard to project specific information I enclose a table, which hopefully answers the detailed questions you have raised.

I note in your letter that you have asked for information about the amount of Grant-in-Aid used for match funding for the past three years. I have provided information for the past two years above as this is readily available. However, it would take some time and resource to provide the information for 02/03, and would be prepared to provide this should this information be of added assistance to you.

Finally, at the EDT meeting on the 1<sup>st</sup> December 2004 you asked for the amount of P2P drawn down this year. The figure is £3.9m to date and our latest submission (December 04) takes that figure to £6.766m as shown in the table attached on a project by project basis. We anticipate that we will draw down the full amount (£10m) over the remaining three months of this financial year.

I trust this helps you gain a better understanding of the processes involved and the main reasons why funding requirements inevitably change from year to year.

A copy of this letter goes to the Clerk to the Economic Development and Transport Committee for circulation to the Chair and Members.

*Wishing you a Merry Xmas,  
and all the best for 2005,*

*Gareth*  
Gareth Hall





WELSH DEVELOPMENT AGENCY

PROJECTS RECEIVING PATHWAYS TO PROSPERITY MATCH FUNDING

Project Description	Anticipated	Actual YTD
	P2P 2004/05 £k	P2P 2004/05 £k
PROJECTS PROVIDED WITH MATCH FUNDING IN 2004/05 FROM THE PATHWAYS TO PROSPERITY FUND		
Technology Exploitation Programme 2000 - Obj 1 Areas	474 *	(275) **
Accelerate Wales - Obj 1 Areas	566	304
Winning Business - Obj 1 Areas	57 *	48
Mobile ICT Awareness-Raising Campaign - Obj 1 Areas	232 *	215
Technology Exploitation E Wales (Obj 2)	135 *	184
Opto Electrics (Fit out costs and Revenue) - St Asaph	936 *	350
Centre for Advanced Software Technology (CAST) - St Asaph	86 *	49
Aberporth Technology Park PH I	1,518 *	1,486
Wales Application Service Provider (WASP 1)	115 *	123
Wales SME Business 2 =- Obj 1 Areas	365 *	96
Supporting Innovation R&TD - Obj 1 Areas	180 *	33
Advance Buisness Units Parc Teifi	106 *	100
Phase 2 Hotpoint Site Redevelopment - Llandudno	166 *	268
Aberystwyth Technium	110	60
Spec Factory Premises - Brecon	217 *	350
SA1 Fabian Way Gateway - Swansea	2,527	1,316
A/F Units Heart of Wales BP Llandrindod	53 *	148
A/F Office Units U6 Dyfi Eco Machynlleth	263 *	195
Phase 2 Office Unit 7 Dyfi Eco Machynlleth	262 *	190
Buttington Cross EP Welshpool	140 *	324
Promoting Entrepreneurial Culture Ph2 - Obj 1 Areas	1,214	1,137
Development Employability Equality Partnership (DEEP)	17	63
Local Supplier Development - Obj 1 Areas	261	2
<b>TOTALS</b>	<b>10,000</b>	<b>6,766 ***</b>

\* Projects on which P2P funding was received in the previous financial year.

\*\* Funds repaid to Assembly following change in the European intervention rates.

\*\*\* Note this is a year to date figure. We anticipate drawing down the full amount of £10m by the end of the financial year

FURTHER PROJECTS FUNDED IN 2004/05 FROM AGENCY'S OWN RESOURCES

Technium II Revenue Support  
 Brocastle Strategic site Phase 1  
 Community Regeneration Toolkit - Obj 3 Area  
 Tywyn & Bala Advance Bus Premises  
 Labour Market Intermediate (LMI) Project North Wales  
 Womens Enterprise Wales Phase II - Obj 1 Areas  
 Broadaxe EP Presteigne  
 Treowain EP Machynlleth