

Cyhoeddir yr atodiad hwn yn yr iaith y'i derbyniwyd gan Gynulliad Cenedlaethol Cymru.

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INTRODUCTION

1. The Welsh Local Government Association represents the collective interests of local government in Wales. With nine out of twenty two authorities being primarily rural and almost all others having significant rural areas, the Association is particularly concerned to ensure that the needs of rural communities are fully acknowledged in policy.
2. The Association welcomes the opportunity to give evidence to the National Assembly for Wales Agriculture and Rural Development Committee's review of rural economic diversification. The Association's representatives have already given evidence to the Committee on the role of land use planning in diversification, and we are also giving evidence to the Economic Development Committee's review of business support.
3. The Association's report on rural development, published in 1998, set out our vision for rural areas as follows: *the WLGA looks forward to strong rural economies, based on thriving economic activities across a wide range of sectors. We envisage dynamic businesses in traditional rural sectors such as agriculture and tourism, as well as new businesses in sectors such as environmental products and the cultural industry. These will be supported by integrated business support services, sensitive to the needs of rural enterprises of all kinds.*

THE ROLE OF LOCAL AUTHORITIES IN BUSINESS SUPPORT

4. The Association believes that local authorities have a key role to play in promoting rural diversification. Almost all local authorities provide some support to local businesses, alongside that provided by other organisations. But crucially, local authorities are able to integrate business support with wider rural development actions and with other services. They can tailor business support services to meet local circumstances and target them on the local business community.

Community Leadership

5. The Local Government Act places a duty on local authorities to prepare a community strategy which promotes the economic, social and environmental well-being of their areas. The Association envisages community plans articulating the specific needs of a locality, and identifying how **all** partners will work together to deliver its objectives. This will involve other economic development bodies, such as WDA and Wales Tourist Board, working alongside local authorities to achieve jointly the democratically determined objectives for the area.

6. As part of their community leadership role, rural local authorities have articulated the needs of their areas and press for changes in Wales-wide, UK and EU policies to meet them. For example several rural authorities successfully lobbied the EU for structural fund designation, pressed the UK government for Assisted Area status, and urged the Assembly to review charges made by the Meat Hygiene Service. The Association firmly believes that the provision of business support services needs to sit within this wider ability to promote the interests of rural communities.

7. All local authorities have established local partnerships in their areas to deliver EU programmes locally. These groups are broad, inclusive, and provide a forum for various rural interests to come together with the local authority and other agencies to agree shared objectives and joint action. An example of this is the Slate Valleys Initiatives Partnership in Gwynedd, where the local authority is leading local community groups to regenerate the slate communities.

8. A number of authorities have established forums or partnerships for specific interest groups. Some focus on particular economic sectors, such as the Powys Agricultural Industry Forum, whilst others are specific to particular places, notably those with regeneration initiatives. These arrangements are proving to be valuable means of engaging with local people, identifying their concerns and working with them and with other agencies to address them.

Integrated Development

9. Local authorities' community leadership role also allows a holistic view of the needs of communities to be taken and for an integrated response to be developed. Authorities are able to co-ordinate their business support services with their wider economic development activities, along with their responsibilities for land use planning, education, transport, housing, environmental health and trading standards. Integration helps to ensure the lasting impact of development.

10. For this reason a number of authorities have general rural development strategies, within which support for business is an important strand which is complemented by other activities as Figure 1 shows.

Figure 1 Wrexham Rural Development Strategy

Following consultation with the local community, Wrexham County Borough Council has prepared a Rural Development Strategy drawing together its strategic objectives and outlining projects to tackle priorities. The strategy recognises that the economic prosperity of rural communities cannot be achieved in isolation from the social and environmental aspects. The five strategic themes therefore include:

- business growth and development
- skills and training
- sustainable tourism
- agriculture and the environmental economy
- access to services

Business Support Services

11. Support for the rural economy involves a mixture of helping to develop and expand existing businesses, including farm enterprises as well as other indigenous firms, and encouraging the development of new businesses through start-ups and appropriate inward investment.

12. Local authorities offer a wide range of assistance packages aimed at stimulating private sector investment and at both creating and protecting jobs. Authorities provide general assistance to eligible businesses in their area, as well as specific support for sectors such as agriculture, food, crafts, fishing and timber. Examples of local authority agri-food schemes are given in Figure 2. The key feature of local authority schemes is that they are focused on the needs and circumstances of their particular area, and they are locally delivered and responsive to the needs of the business community and wider population.

Figure 2 Local Authority Agri-Food Schemes

- **Farmers Market – Flintshire County Council**

About 30 local growers/producers are now regularly using this market, which has been set up in conjunction with the Wales College of Horticulture. It is hoped to extend this project into a local farm-box scheme.

- **Food Centre Wales – Ceredigion County Council**

The centre employs food technologists to provide advice to food production and processing businesses in rural Wales and acts as a focus and resource for all food initiatives in the area.

- **Celtic Cuisine – North Wales**

Four local authorities- Denbighshire, Conwy, Wrexham and Flintshire, support the Celtic Cuisine project which assists local food producing businesses to market and sell their produce effectively. The brand and logo are used to help businesses penetrate new market segments and selling opportunities through trade shows and additional marketing advice.

- **Produce Mark – Pembrokeshire County Council**

The Pembrokeshire Produce Mark has been developed as part of Pembrokeshire County Council's Food & Craft Initiative. The Produce Mark provides clear identity to local produce and can be used on food, drink, craft products and by hospitality or retail businesses using these products. Businesses are able to use a co-operative marketing initiative to attract customers and participate in a programme of exhibitions and in-store promotions within and outside Pembrokeshire. The project also includes a Food & Drink directory, window stickers and a customer charter to display at premises. Marketing grants for the re-design of marketing material such as labels, literature and packaging are also available.

- **Powys Food Futures Initiative – Powys County Council**

After discussion with the Powys Agricultural Industry Forum, Powys County Council has established the Food Futures Initiative with voluntary, private and public sector partners to develop local food marketing and research the scope for added local processing. The Council has also established an Agri-Food Fund to support such projects in collaboration with the Welsh Development Agency Agri-Food Directorate.

13. A local authority may provide business support directly, or through another organisation such as a local Leader group or local enterprise agency. Business Connect has a key role in co-ordinating local support services and acting as a sign-post and in some instances 'one-stop shop'. All authorities offer their services through Business Connect and brand them as Business Connect products, whilst some

authorities make a substantial investment in Business Connect in their areas. Personal Business Advisers are often based at Business Connect centres specifically to make business support more accessible to rural businesses. Powys Business Connect is an example of a joint initiative which is delivering integrated services to rural businesses, whilst Figure 3 shows other business development grants.

Figure 3 Local Authority Business Development Grants

- Farm Diversification Grants – Conwy County Borough Council

Grants of up to 50% are given to help farming businesses diversify. These can include grants for conversion of premises, assistance for agri-tourism, joint initiatives between farmers and business start-ups.

- Pembrokeshire Business Support Fund – Pembrokeshire County Council

The Business Support Fund is a scheme of financial assistance, designed to stimulate private sector investment, job creation, or where relevant, job protection. The grant is aimed primarily at projects in certain sectors including food processing, marine sector, timber, energy, IT, tourism, retail and craft. Projects are assessed competitively and such factors as the provision of amenities enhancing the quality of rural life are taken into consideration.

- Faenol Conservation Skills Centre - Gwynedd Council

Faenol Cyf was formed as a community co-operative by Gwynedd Council, WDA, Celtec, Cymad, Wales Co-operative and Glan Gwna Estates Ltd, to address the shortage of skills within the heritage construction sector. This project aims to increase the skills, knowledge and adaptability of those working in the construction industry and will involve the establishment of the necessary support infrastructure. The project will also encourage the development of clusters of businesses within the construction industry to meet common training needs. The project also includes revenue support to appoint tutors and deliver courses.

- Powys Business Development Grant – Powys County Council

Powys has just been successful in securing funding from the National Assembly's Local Regeneration Fund to run a competitive grant scheme to stimulate private sector investment throughout the county.

QUALITY

14. The Committee has specifically asked for the Association's views on the 'quality' of current business support services. We consider that the relevance of a service to an area's needs, its accessibility to businesses in the area, and its effectiveness in supporting expansion and growth are the main elements

of ‘quality’.

15. Many parts of rural Wales are eligible for a number of pan-Wales business support schemes provided by the National Assembly itself, WDA and the Wales Tourist Board. These include Regional Selective Assistance, the various innovation and technology development grants currently administered by the Assembly, WDA business support programmes (such as the regional technology plan, the entrepreneurship action plan and the new Finance Wales project) and WTB support for tourism businesses. These schemes offer useful investment that is available in most rural areas. However they are not specifically focused on rural businesses and their take up in rural areas is not clear. We have previously suggested that more could be done to ensure that pan-Wales initiatives take account of varying circumstances within Wales and are sensitive to different local circumstances.

16. In addition, pan-Wales schemes are usually administered outside rural areas (even those that are delivered through regional offices can seem inaccessible from deeply rural communities). Again, this may affect take up by rural businesses, and it certainly affects the ability of the award of grant aid to be integrated with wider rural development initiatives.

17. Recently a number of pan-Wales sectoral initiatives have been developed which are much more focused on economic activities of relevance to rural communities. These are primarily delivered at regional level and reflect pan-Wales priorities. Initiatives include the WDA’s agri-food initiative and the Assembly’s proposed Farm Innovation Service (FIS) and JIGSAW project. The Association has welcomed and supported the Agri-food initiative and is working with WDA and other partners to deliver it. It is crucial that local authorities and Business Connect partners discuss the operational arrangements for the Farm Innovation Service further.

18. The Association strongly believes that all-Wales and regional initiatives need to be complemented by local business support services. Local business support services can add value to all-Wales schemes, and can reach local businesses that are simply too small to be prioritised by major agencies, such as start-ups, sole traders and micro-enterprises that predominate in rural areas. Local initiatives can tackle also economic sectors that are important locally but that are not current all-Wales priorities (an example is given in Figure 4). And local authority business support services are delivered locally and so should be easily accessible. The provision of support can, where appropriate, be an integral part of wider economic development, for example to support rural tourism or the regeneration of a town or village centre.

19. The Association is currently working with the National Assembly for Wales and WDA’s Finance Wales to develop proposals for a ‘Tier 3’ scheme in Wales. This is aid to small and medium sized firms that is permitted by the EU’s state aid rules, to complement that delivered in Tier 1 (Objective 1) areas and Tier 2 (assisted) areas. The Association’s proposals are still being developed and have yet to be agreed by local government or the Assembly. A key feature is likely to be the development of a common core or baseline of support, that would be delivered locally through local authorities, and that could be tailored to meet local needs. The grant scheme will also mean that Wales’ small businesses will not be disadvantaged against support that is already available in bordering counties in England.

BARRIERS TO DEVELOPMENT AND DIVERSIFICATION

20. Rural areas in Wales vary significantly and the relative balance of barriers and opportunities vary just as much, as do the nature of the barriers themselves. The Association has identified both socio-economic barriers and institutional barriers to growth.

Socio-Economic Barriers

21. Most authorities would recognise the characteristics set out in Figure 5. A major benefit of local authority initiatives is that they are able to identify the local barriers in detail in drawing up their local economic development strategies, so that full account is taken of local circumstances.

Figure 5 – General Barriers to Diversification

- **A small economic base of declining or stagnating businesses**

Agriculture remains a key industry in many rural communities – its continuing difficulties is a major hurdle. The lack of other enterprises means that there is limited scope for growth or spin-offs.

- **Small local market**

The small size and relatively low incomes of the local population limit the potential for new start-ups and expansions of locally based firms.

- **Accessibility**

Many (but not all) parts of rural Wales are far from major centres of population and incur increased costs carrying out their business. The perception of remoteness affects inward investment.

- **Infrastructure and Services**

Local services such as village shops, public houses, post offices and schools have also declined over recent years due to competition from larger towns. This means not only a reduction in income circulating in the local economy, but also a loss of alternative employment opportunities.

- **Business Competitiveness**

Rural businesses are sometimes slow in implementing new production technology, management techniques and working practices. This is due to a number of factors including a lack of available capital in small firms to invest in new technology, insufficient time available (particularly if self employed) to introduce new ways of working and simply a lack of awareness of new developments.

Access to business finance is limited in rural areas, which hinders the potential development

and expansion of a firm. Many rural businesses may not possess the skills which are needed to develop and promote their business to its fullest e.g. through development of a web site, advertising etc.

- **Sites and Premises**

Rural businesses often face a shortage of high quality serviced workspace for start-ups or for expansion. Many of the premises that exist are in need of modernisation or conversion - businesses are therefore unable to operate in optimum conditions.

The Association has previously submitted that the planning process should support appropriate diversification in rural areas, both on and off-farm.

- **Workforce Skills and Training**

Lack of local training facilities and a tradition of 'on the job' training means the rural workforce can sometimes be slow to acquire new skills and take advantage of new opportunities.

Barriers in Service Delivery

22. The Association has also identified a number of 'barriers' in the current system of business support services itself.

23. Business support services are in a state of constant change that is causing uncertainty and confusion. The merger of the WDA and Development Board for Rural Wales, restructuring within WDA, the quinquennial review of the WDA which questioned its very existence, the transfer of TEC enterprise functions, the Assembly's review of business support services and the draft national economic development strategy, are just a few examples of the major and fundamental changes in this field.

24. Within this state of flux, there is little apparent strategic guidance or direction. We are not aware of a coherent all-Wales policy or strategy for rural areas. General responsibility for rural matters has been transferred out of the Assembly and into the Welsh European Funding Office, whose role is to administer grants rather than to develop policy. We shall consider the anticipated rural white paper for England with great interest, not least to ensure that border areas of Wales are not disadvantaged compared with their English neighbours. We are not aware that the Assembly asks its sponsored bodies (WDA and WTB) to pay particular attention to rural diversification in its strategic guidance letters, nor do these bodies (nor the Assembly itself) monitor the impact of their activities on rural areas. And the Rural Partnership needs a substantial investment of energy and enthusiasm to realise its potential.

25. We also consider that strategy and policy for business support is fragmented at national level. The

national economic development strategy is being developed, but at the same time there are separate initiatives for agri-food, tourism, entrepreneurship, technology, Business Connect, Finance Wales, and of course for Objectives 1,2 and the rural development plan. It is far from clear what the relationship between the proposed national strategy and the various other initiatives will be. We contend that the lack of coherence of business support policy at all-Wales level is far more significant than the alleged duplication of schemes at local level.

26. All business support schemes require resources. Local authority schemes have been badly affected by the general reduction in funding to local government, whilst the protection for education and social services required by the Assembly has squeezed services such as economic development even further. We look forward to a settlement for the next three years that acknowledges the important role of local authorities in the well-being of Wales' communities.

SPECIFIC IMPROVEMENTS

27. The Association would welcome a number of changes in the overall system of business support in Wales. We would like to see a clear policy framework that will guide and focus the delivery of business support services, and take full account of the huge differences that exist within Wales, not only between rural and urban areas but within rural areas themselves. It should take account of local government's community leadership role. We would anticipate that this will involve a mixture of general business support initiatives, that are tailored to and delivered in rural communities, and sectoral activities that develop rural capacity and markets in key economic activities.

28. As part of this, the Association would welcome a clear recognition of the importance of small scale, locally delivered business support schemes as a vital tool in developing rural businesses. We hope that the Association's proposals for a Tier 3 scheme across Wales will be agreed, thus providing consistent yet flexible support able to offer significant funding for rural business growth. Adequate resources to deliver local schemes are also needed.

29. The Association would also welcome a rationalisation of business support provision at all-Wales level. We have suggested that the Assembly's own business support activities should be transferred primarily to WDA, and we have also sought clarification of the relationship between support for businesses provided by Wales Tourist Board and that offered by WDA. We believe that strengthening Business Connect locally would improve co-ordination and targeting of business support services, whilst at all-Wales level the company responsible for Business Connect needs to work within the emerging business support and rural strategies. Business Connect has an important role in determining minimum services and quality, but needs to recognise that a variety of delivery mechanisms are maintained.

30. There may be scope for further sectoral initiatives that would be of particular benefit to rural areas. The Association has previously suggested that timber products and wider agricultural diversification may be appropriate sectors for promotion. Another area with scope for development is 'intellectual products' – covering arts and cultural industries, media, research and development and so on. Rural

Wales is remarkably well endowed with intellectual infrastructure such as universities, research institutions and arts centres, as well as having a strong culture, which provide a resource which could be developed further.

31. The Association welcomes the recognition by the National Assembly for Wales' Secretary of Agriculture and Rural Development, and the Assembly's Rural Development Committee, of local government's interest in the future prosperity of rural Wales. We will continue to seek to work with the Assembly towards shared goals.