

**ECONOMIC DEVELOPMENT COMMITTEE**

Date:	26 January 2000
Venue:	Committee Room 1, National Assembly for Wales
Title:	Future Management of TEC Enterprise Functions

**Purpose**

1. The purpose of this paper is to review the main options for the future management of the enterprise functions currently undertaken by the Training and Enterprise Councils following the establishment of the Council for Education and Training Wales in April 2001. The Committee decided at its meeting on 15 December that it would consider this issue as part of its review of business support and development which it is aiming to conclude by Easter.

**Recommendations**

2. That the committee:-

a. considers the key conclusions of this paper; and

b. agrees that the views of the key interest groups listed in paragraph 7 should be sought by the Committee as a priority and to facilitate early recommendations to the Economic Development Secretary on this matter.

**TEC Enterprise Programme**

3. The TEC Enterprise Programme consists of a number of different schemes, all designed to assist the development of indigenous small and medium sized enterprises (SMEs) in Wales. The programme comprises four main strands - human resource development (including Investors in People); New Business Starts; the Diagnostic and Consultancy Service; and the Sole Traders Initiative. The TECs also undertake a number of other general business support activities - for example, support for inter-company networks.

4. Over 4,000 small and medium sized enterprises are assisted each year under the TEC enterprise programme and some 60-70 TEC staff (a number of them field staff) are directly engaged in managing this work (some 10% of the total TEC staff). The 1999-2000 budget allocation is some £10 million (directly funded by the National Assembly under the Business and Enterprise Support Programme).

## **Main Schemes and Possible Future Options**

5. The main TEC enterprise functions are briefly described below together with a preliminary assessment of the possible options for their future management/delivery.

a. **Human Resource Development** [TEC budget allocation £5.0 million - coverage c.2,500 organisations per annum]. The TECs manage 3 inter-related workforce development schemes, all of which help SMEs to identify and meet training and development needs. They are:-

Investors in People (IiP) - the TECs promote the IiP approach locally and help individual organisations, large and small, to achieve it. TEC support here covers organisations in the public, private and voluntary sectors.

Small Firms Training Initiative - this scheme is specifically targeted at private sector small firms (employing less than 50). Via the identification of a key worker a company training plan is developed and implemented through the firm.

Management Development - The TECs undertake a range of activity to help promote management development within SMEs - including financial assistance to individual managers to pursue NVQs and the use of consultants to help improve company management teams.

The TECs also supplement these schemes - from their discretionary budgets or their reserves - for skills training by companies involved in expansion or inward investment in order to help secure the jobs involved. Such support is often directed at removing particular skills gaps.

### **Future Management Options (human resource development - HRD)**

5.1 Transfer to the Council for Education and Training Wales (CETW). All these schemes are essentially concerned with the development of workforce skills. This would sit well alongside other assistance for skills training of employees for which CETW will be responsible. Working through the regional offices of CETW - and the field staff operating from there - would secure useful continuity in the current delivery arrangements and would retain existing linkages between the main human resource development schemes relevant to business. It should also help facilitate links between CETW and the Wales Management Council (an industry-led body dedicated to encouraging more effective and widespread management development in Wales).

5.2. Transfer to WDA. Transferring these important HRD activities to the WDA would complement, to a degree, its existing business development programmes. However, the Agency's involvement in workplace skills has been limited to date; and it is open to question whether they have or could easily put in place the management capacity/expertise to take on these functions - especially given the planned transfer of Cardiff Bay functions later this year. Any hiatus or lack of continuity would be regrettable at what will be a crucial time in terms of securing Objective 1 and related European funds.

### **b. Other TEC Enterprise Support**

5.3 The TECs also manage the following three schemes, all of which are directly concerned with enterprise development/growth:-

- i. New Business Starts Programme [TEC budget allocation £1.3 million - coverage 1,100 businesses per annum] This involve encouraging more good quality ventures to start up via the development of business plans, relevant skills training, etc - and through ongoing mentoring and other support to help ensure these firms survive and grow. The bulk of the programme is delivered by the enterprise agencies under contract to the TECs.
- ii. Sole Traders Initiative [TEC budget allocation £0.4 million - coverage 400-500 sole traders/self employed per annum] This Wales only scheme aims to create new employment and the expansion of micro businesses by helping sole traders to take on their first employee.
- iii. The Diagnostic and Consultancy Service [TEC budget allocation £1.4 million - coverage about 1500 firms per annum] This scheme helps companies to review their strength/weaknesses and assists in providing consultancy support to tackle identified problems. It comprises 3 main elements: informal business reviews; more in-depth diagnostic reviews ; and the use of external consultants on a subsidised basis to tackle issues identified in the review/diagnostic study.

### **Future Management Options (enterprise development)**

5.4 These three schemes together form a useful package within the TEC portfolio - and there would be advantages in terms of delivery and management if they were kept together. On this basis the main options would appear to be:-

- i. Transfer to WDA. This would strengthen the WDA's role in support of indigenous businesses in Wales and would mesh in well with other key activities in which the Agency is involved, such as co-ordination of the Regional Technology and the Entrepreneurship Action Plans. Continuity of local delivery would also be possible via appropriate sub-contracting with the Enterprise Agencies. Indigenous business development is already one of the WDA's main functions and absorbing these schemes should not pose particular problems from the management perspective. It would, however, add another important responsibility to the WDA soon after it will have to assimilate certain residual functions from Cardiff Bay Development Corporation [though these would go to a different part of the Agency].
- ii. Transfer to the Business Connect Management Board. This would strengthen the Management Board's role in relation to the business support network. It would also facilitate continuity by sub-contracting with the local enterprise agencies. Such a move could, however, distract the Board from its key strategic planning and co-ordination roles in relation to business support and would risk reinforcing some current confusion among business that the Board is (yet) another business support agency.
- iii. Transfer to the Local Enterprise Agencies (under contract to the National Assembly). This would strengthen the enterprise agencies role as local providers of business support and provide an element of continuity in the current arrangements. The enterprise agencies do not cover the whole of Wales, however, and they are not fully involved in the delivery of all the elements of Diagnostic and Consultancy Service. Ways would need to be found to cover these "gaps".
- iv. Transfer to the Local Authorities. This would strengthen the local authority role in business development, especially among the small/micro business sector and would complement other business support typically provided by the councils (for example business grants/loans). Delivery via 22 local

authorities could, however, result in uneven coverage and hinder strategic co-ordination at the all Wales level.

## **Consideration**

6. The TEC enterprise functions split naturally into two categories: those concerned with skills/ human resource development and those more related to general enterprise development. The former would seem to be a prime candidate for transfer to the new Council for Education and Training Wales; and this proposition has already been endorsed by the Post 16 Education and Training Committee, subject to the views of the Economic Development Committee. Rather more possible options would appear to be available for those schemes described in paragraph 5.3 however - and more again if the schemes were to be split ie transferred to different organisations. Taking the latter course would undermine the benefits of the current enterprise "package" however, and the staffing implications would also be more complicated. In considering the options a distinction also has to be drawn between commissioning and delivery of the services concerned.

## **Advice**

7. As noted above, there are number of options here. As the next step and to assist the Committee in determining which options it would favour, it is recommended that the views of the following key interests should be sought:-

Welsh Development Agency

Council of Welsh TECs

Welsh Local Government Association

Wales Enterprise (on behalf of the Enterprise Agencies)

Business Wales

Wales TUC

Community Enterprise

To assist the forward planning process and, to ensure the overall implementation plan stays on track, it is suggested that the Chair of the Committee should write to these organisations to seek their views immediately following the meeting on 26 January. The Committee could then formulate its own views and make its recommendations known to the Economic Development Secretary as one of the first outcomes of the business support review.

## **Compliance**

8. The Assembly's powers in this area derive from Section 11 of the Industrial Development Act 1982 and Section 2 of the Employment and Training Act 1973 ; and the relevant functions have been

delegated in Wales to the Economic Development Secretary. No issues of regularity or propriety are involved.

## **Financial implications**

9. The issue of the future management of the TEC enterprise functions arises from the Assembly's decision to establish the new Council for Education and Training Wales. The overall financial implications of the reorganisation that involves are currently being examined - and the transfer of the TEC enterprise functions forms part of that assessment. Before coming to a final view the Assembly will clearly need to take account of any significant differences in the costs of the various options.

**January 2000 Business Services Division**