

Economic Development and Transport Committee

Date:	17 March 2004
Time:	9.00am to 12.30pm
Venue:	National Assembly for Wales, Cardiff Bay
Title:	Review of Assembly Investment Grant

Purpose

The Committee was informed in October last year that a review of Assembly Investment Grant (AIG) would be carried out by an official, independent of Economic Development and Transport Group. The officer concerned – Mr Martin Rolph, who has considerable experience of quinquennial reviews of ASPBs and related work has now completed his report, which is attached. The comments of Members are invited.

Summary/Recommendations

The attached report of the review confirms that the AIG scheme has been well taken up by small and medium sized enterprises (SMEs) in Wales. There were some teething problems as actual demand greatly exceeded the forecast. Staff have been recruited and trained to meet the considerable workload but the independent reviewer recommends a series of further improvements and refinements.

Economic Development and Transport Minister wishes to avoid any uncertainty on the part of applicants and so he has decided that the Assembly Investment Grant scheme should continue with its focus on grants from £5001 to £50,000. He is considering as part of the encouragement of SMEs involved with considerable innovation and/or research and development whether such companies should be eligible for AIG in excess of £50,000. Before taking final decisions on any of the report's other recommendations, he will take into account views of EDTC Members at the meeting on 25 February or by 12 March.

Background

The background to both AIG and the review is set out in the attached paper. The Economic Development and Transport Minister is appreciative of all those consultees who submitted comments. These add flavour to the statistics in the review report.

Action for Subject Committee

Committee Members are invited to consider the attached report and put any advice to the Economic Development and Transport Minister by 12 March.

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REVIEW OF ASSEMBLY INVESTMENT GRANT



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

Martin Rolph

JANUARY 2004

CONTENTS

Executive Summary

1. Introduction
2. The Context within which Assembly Investment Grant exists
 - 2.1 Wales: A Better Country
 - 2.2 A Winning Wales
 - 2.10 Other Grant Schemes Available in Wales
 - 2.11 Loans Available to SMEs in Wales
 - 2.12 Equity Finance Available to SMEs in Wales
3. Assembly Investment Grant
 - 3.3 Origins of AIG
 - 3.5 What Qualifies?
 - 3.14 EC Grant Ceilings
 - 3.19 Data relating to AIG to date
 - 3.25 Surveys of AIG applicants
 - 3.28 Autumn 2002 Small Business Service National Omnibus Survey
4. Arrangements in Scotland and England
 - 4.3 England, especially NAO Report on RSA and Enterprise Grant
 - 4.17 Scotland
 - 4.21 Overall Comparisons
5. Consultation Exercise
6. Key Issues
 - 6.2 Continued existence of AIG
 - 6.6 Collection and release of data about AIG, and communication generally
 - 6.12 Are changes needed to AIG?
 - 6.26 AIG Resource issues
 - 6.40 The AIG Brand and its promotion
7. Summary of Recommendations
8. Annexes
 - England
 - Scotland
 - Consultation Letter
 - Response to Consultation Letter.
 - Response to ICM 6 monthly survey of AIG Applicants
 - Those with whom discussions were held

Executive Summary

AIG after 18 months plus of operation seems to exhibit a number of features, in particular:

- (a) a flexible source of support to small and medium sized enterprises;
 - (b) far more popular than originally envisaged, leading to a first year spend much higher than expected and consequent pressures on staff resources;
 - (c) a 'lighter touch' than RSA in relation to processes, which has been noticed by most stakeholders;
 - (d) it can make medium-sized marginal investments (typically £50k - £100k) much easier for businesses to make, resulting in higher value businesses and jobs, and earlier and/or larger growth than would have been the case without it;
 - (e) the flexibility of the scheme helps avoid some of the distortions which some more tightly defined public funding sources may experience. In particular, while job creation is not a condition for AIG based wholly on capital investment, the scheme can recognise parts of the knowledge based economy – first, through the possibility of less capital intensive growth being supported through grant being based on the value of jobs created, and second, through the eligibility of some service businesses; and
2. There seem to be no significant changes in the economic characteristics of Wales which have arisen since its debut which should lead to the AIG Scheme being discontinued:
- (a) It is still relatively new, so that awareness of it is still growing and its impact on the economy of Wales is not yet clear.
 - (b) Studies of all levels of Regional Selective Assistance in recent years (including a recent NAO report covering all levels of RSA and Enterprise Grant in England) have not led to recommendations to curtail greatly or abolish centrally administered grants of this sort broadly in the £5,000 - £50,000 range – although the 2000 RSA Evaluation concluded that RSA was not a very suitable tool for SMEs because of the bureaucracy and administrative cost involved.
 - (c) Major changes are taking place in other areas of Welsh Assembly Government backed support for SMEs, for example the recently launched Business Eye network. In the interests of helping the new network bed in, this implies that now is not the best time to abolish the AIG scheme.
 - (d) Neither England nor Scotland has a scheme which covers the **whole** of their countries in the way AIG does for SMEs in Wales, and there are procedural (and economic) differences between the 3 countries in relation to RSA type grants at the level of about £50,000 and below.
3. I believe that the scheme should continue, but be subject to a more fundamental review in about 3 to 4 years time.
4. If AIG is to continue, it has the potential to be more effective as there are a number of areas in which improvements should be considered:
- (a) keeping under review and probably increasing the range of aggregate data relating to the scheme being produced, to better help its quarter by quarter, year by year overall management and evaluation and in due course a longer term review;
 - (b) greater sharing of information, on a reciprocated basis, with other major stakeholders in the AIG scheme, eg local authorities, WDA, enterprise agencies, private sector business advisers etc.;
 - (c) possibly raising the lower limit for application to £10,000;

- (d) dealing with the dangers, which may arise as AIG continues in coming years, of inappropriate acceptance of successive applications from the same enterprise, perhaps by an absolute limit on the number of grants paid, plus a minimum period between successive applications being made;
- (e) exploring whether there is scope for further distinction in lightness of touch in dealing with smaller and larger AIG applications;
- (f) developing principles for prioritisation in preference to complete curtailment of consideration of types of application;
- (g) keeping demands made in the application process (on applicants and the Assembly) under review, while regarding both, to a limited degree, as partially an investment in planning for the successful future of the enterprise;
- (h) focusing the Assembly staff resources devoted to AIG more, including greater clarity in distinguishing in Cardiff between the East Wales regional office role and the HQ role; and
- (i) further improving openness and access in relation to information about the operation of AIG.

5. I discussed the ideas above with a range of staff in ICM Division and some of the areas for development are already being pursued in advance of the completion of this report or the formal response to it. Where this has happened to significant degrees, mention is made in the text which follows.

1. INTRODUCTION

1.1 The Terms of Reference for this review were:

“To consider whether AIG, as operated so far, provides good value for money and is efficient and effective in meeting its objectives of encouraging indigenous SMEs to invest and become more competitive, while taking account of the Assembly’s guiding principles of sustainability, equal opportunities and social inclusion.

The reviewer will consider the scheme’s cost effectiveness, whether it supports the objectives of A Winning Wales effectively and what improvements could be made in order to better meet the needs of the Welsh economy”.

1.2 The Minister informed the Economic Development and Transport Committee of the terms of reference in his monthly report of 1st October 2003.

Powers under which this review was undertaken

1.3 This review was conducted using the Assembly’s supplementary powers under sections 40 and 85 of the Government of Wales Act 1998 in conjunction with sections 7 and 8 of the Industrial Development Act 1982. Section 40 of the 1998 Act entitles the Assembly to do anything which is calculated to facilitate, or is conducive or incidental to, the exercise of any of its functions. These powers have been delegated to the Minister for Economic Development and Transport.

The AIG Scheme

1.4 AIG is a discretionary fast-track Welsh Assembly Government grant scheme which aims to help eligible Small and Medium-sized Enterprises (SMEs) **throughout** Wales to make capital investments in their businesses. Grants of £5,001 to £50,000 are available. Its place within the context of the Welsh Assembly Government’s economic strategy is described in Section 2. The AIG scheme itself is described in further detail in Section 3.

Methodology

1.5 This review was undertaken by an Assembly official from outside the Economic Development Department. He considered documents, conducted a consultation exercise (consultation letter and note on response at annexes 1 and 2), and held discussions with a range of individuals (listed at annex 6). A steering group advised the reviewer before the draft was submitted for consideration by Welsh Assembly Government Ministers.

Regular survey of AIG applicants

1.6 The Welsh Assembly Government’s Investment and Corporate Management Division is responsible for AIG and carries out surveys of recent applications from time to time. The results of the July 2003 survey of the views of recent applicants for AIG and the earlier December 2002 survey they undertook have been available for this review to consider, and are summarised at Annex 5.

2. THE CONTEXT WITHIN WHICH AIG EXISTS

Wales: A Better Country

2.1 This document, the Strategic Agenda of the Welsh Assembly Government, was published in September 2003. Its vision includes promoting a diverse, competitive high added value economy that minimises demands on the environment.

A Winning Wales

2.2 Following wide consultation, the Welsh Assembly Government launched “A Winning Wales” in January 2002. The strategy focuses on:

- Increasing the knowledge, R&D and innovation capacity in all parts of the economy.
- Building on considerable strengths in manufacturing.
- Increasing the number of jobs in financial and business services.
- Helping more people into jobs to raise the levels of economic activity.
- Spreading prosperity across Wales, using all the measures available, including European Structural Funds.

2.3 With its accompanying Action Plans for Skills Innovation, Entrepreneurship, Business and the Environment and Trade “A Winning Wales” sets out, a ten year vision for building a Wales which will help to create and attract high value-added businesses.

Targets

2.4 **A Winning Wales** set a number of targets for achievement by 2010 and confirmed that these would be measured against a 2001 baseline. Baselines have been established and some are shown below, alongside some of the 2010 targets.

Target description	Target by 2010	Base (2001 unless shown)
Increase in net employment of	+135,000	1,242,000
Increase in net employment in Business and Financial Services	+20,000	123,000
Increase stock of VAT registered businesses per 10,000 persons aged 16+	Raise to UK average	316 (90% of UK overall average)
Increase business enterprise R&D expenditure as a % of GDP	1%	0.7% (1999)
Household disposable income to increase	95% of UK average	8.75% (1999)

2.5 The following main outputs for the major programmes and agencies were achieved during 2002-03:

a) Regional Selective Assistance and Assembly Investment Grant

	Grants Offered	Value	Expected private sector investment	Expected created or safeguarded jobs
RSA	233	£124 million	£453 million	11,851
AIG	380	£12 million	£36.7 million	654

b) WDA*

Strategic Outcomes 2002-2003	All Wales
	Target Achieved
Jobs Created/Safeguarded	32,858
Inward Investment	£675.1m
Business Support & Capital	£257.4m
New Business Starts	5,647

* some of these outcomes will have been achieved with the involvement of RSA or AIG.

2.6 “A Winning Wales” contains a number of objectives and immediate actions were identified, mostly for 2002-03.

2.7 In March 2003, the Assembly Government launched ‘Wales for Innovation, an action plan to promote innovation. The Plan invests some £250 million by 2005, of which £26 million is new money, and the Assembly Government plans to

- a. boost the number of incubator facilities across Wales for innovative businesses;
- b. establish a clearer structure of innovation support activity and better communicate the importance of innovation;
- c. establish a regional manufacturing centre of excellence;
- d. ensure that the power of information and communication technology is used to the full, using the best possible ICT infrastructure;
- e. encourage and finance more high calibre research and development with commercial potential;
- f. work to increase existing collaboration between universities and colleges and companies in Wales;
- g. launch a new technology commercialisation centre;
- h. expand and revise the SMART Wales schemes;
- i. test all its business advice and support services for their capacity to promote innovation, and, where necessary, revise them.

Economic Research

- 2.8 The Economic Research and Advisory Panel (ERAP) was appointed by the Assembly Government in April 2002. It comprises Appointed Members – drawn from social partners and academia – and Ex Officio Members – nominated by the main economic public sector bodies in Wales. ERAP’s decisions and recommendations reflect the views of the Appointed Members, while the role of the Ex-officio Members is to provide advice to the Appointed Members on the policy and economic context of the research, and on other matters relevant to the Appointed Members’ deliberations.
- 2.9 In July 2002 the Panel recommended in July 2002 programmes of research for 2002-03 and future years these were approved. They include:
- a. Investigation of productivity performance of Welsh manufacturing plants.
 - b. Identifying barriers to economic activity.
 - c. Comparing the cost of job-creating activities.
 - d. Dynamic Small Towns – Identification of Critical Success Factors.
 - f. Socio-economic characteristics of the South Wales Valleys. [report due to be considered by ERAP?]

Other Grant Schemes available in Wales

- 2.10 Help, analogous but not identical in conditions etc to AIG, is potentially available to SMEs :
- a. over £50,000, through Regional Selective Assistance (RSA)
 - b. at £5,000 and under, many local authorities offer grants and/or loans. A few authorities offer grants of above £5,000, mainly where they are part of objective programmes.
 - c. At a variety of levels, including some of the AIG range, WDA run grant schemes such as Smart, Property Development Grant, Processing and Marketing Grant.

Loans Available to SMEs in Wales

- 2.11 The Welsh Assembly Government does not offer loans to SMEs. Loans are critically important sources of funding, in particular from the following sources:
- a. Commercial Banks
 - b. For small enterprises, a few local authorities offer loans , normally up to £5,000
 - c. Finance Wales, funded by the WDA, offers loans of £1,000 to £150,000 to SMEs

Equity Finance available to SMEs in Wales

- 2.12 The main source of equity available to SMEs in Wales is their own resources. In addition, a very small number may be part financed by Business Angels. Finance Wales is another potential source, as are other venture capitalists including Venture Wales.

3. ASSEMBLY INVESTMENT GRANT (AIG)

- 3.1 AIG is a discretionary grant available from the Welsh Assembly Government aimed at smaller businesses making capital investments in Wales. Financial support is for small and medium sized enterprises (SMEs), providing grants of between £5,001 and £50,000 with the minimum of red tape.

Origins of Assembly Investment Grant

- 3.2 The launch of the Assembly Investment Grant scheme in April 2002 followed the Welsh Assembly Government's acceptance of recommendations from a Task and Finish Group, announced by the then Economic Development Minister in May 2001 to examine the case for creating a new Enterprise Support Grant Scheme.
- 3.3 The Group's work also took place against the finalisation by the Economic Development Committee of its Business Support Review in June 2001, shortly after that a Price Waterhouse Coopers report recommending the adoption of a menu-based approach to schemes of financial assistance to businesses, and the development of the Entrepreneurship Action Plan, which aims to ensure that Welsh entrepreneurs have the best business support environment.
- 3.4 In December 2001, the First Minister announced that the Assembly Investment Grant would be put in place from April 2002 as a new streamlined grant scheme for grants between £5,000 and £50,000 for SMEs, and for the first time would be available in Wales outside the Assisted Areas.

What qualifies?

- 3.5 SMEs undertaking projects **anywhere** in Wales, unlike many forms of assistance which are limited to Assisted Areas. Almost all manufacturing and some service sectors operating beyond just the local market may qualify for assistance with:
- a. Expanding, modernising or restructuring an existing business or setting up a new business.
 - b. Most new investment in capital assets, and/or in Intellectual Property. Fixed assets may be new or second-hand, bought outright or on lease purchase, hire purchase or extended credit (operating leases are ineligible, but some property leases may qualify).
 - c. Some patent rights, professional fees and other one-off costs related to the investment.
- 3.6 Job creation or safeguarding is not essential (unless 'aid for job creation' is sought), but there must be no overall job loss as a result of the project. If the proposal involves a relatively low level of capital expenditure but will create new jobs, then the salary costs associated with the new jobs can be used to calculate the level of support – "Aid for Job Creation." To determine an appropriate level of grant, account will be taken of either capital expenditure or salary costs for new jobs. For new jobs, eligible expenditure is two years' salary costs (basic + National Insurance contributions).
- 3.7 Working capital does not qualify as 'eligible expenditure', but it may be taken into account when the need for assistance is assessed.

- 3.8 Applicants need to show that without a grant, the project would not go ahead (eg because of lack of finance), would be on a smaller scale, would take longer, or would go ahead outside Wales in an area of the UK where government grant assistance is not available.
- 3.9 New jobs are only essential with ‘aid for job creation’. But the investment must not lead directly to lower employment in the business during the life of the project. Applicants are also encouraged to look to the training and development opportunities that may be available to them and their employees from ELWa. Projects that are likely to cause overcapacity and job losses elsewhere in the UK are unlikely to qualify.
- 3.10 Both the existing/new business and project must demonstrate viability. There must be long-term benefits to the local and national economy.
- 3.11 Most of the project finance must come from the applicant’s own resources or private sector such as, bank borrowings, hire purchase or lease finance, and equity and loans from other individuals, organisations or institutions (e.g. from shareholders and Finance Wales). Applicants must show that they have fully explored, and have a firm indication of how, their project will be financed before they apply for AIG.
- 3.12 Other factors which will also be taken into account include:
- the use of new technology
 - research and development
 - the introduction of good management practices
 - good training plans that support skilled and sustainable jobs
 - salary levels, equal pay and equality of opportunity
 - the introduction of competitive products
 - the extent to which the project is environmentally sustainable
- 3.13 Grant amounts depend on applicants’ circumstances, and are the minimum necessary to make sure the investment goes ahead. Total public sector assistance, including AIG, cannot be higher than the relevant EC grant ceiling.

E C Grant ceilings

- 3.14 Grant ceilings depend on the location of the project and are based on a percentage of eligible expenditure:
- a. derogation A (West Wales and the Valleys) – up to 47% of eligible capital costs (net) or 50% of eligible salary costs (gross);
 - b. derogation C (the Ystradgynlais and Machynlleth area of Powys) – up to 28% of eligible capital costs (net) or 30% of eligible salary costs (gross);
 - c. derogation C (except Powys) – up to 23% of eligible capital costs (net) or 25% of eligible salary costs (gross);
 - d. other areas – Small enterprises 15% gross
 - e. other areas – Medium enterprises 7.5% gross
- 3.15 To apply, potential applicants are invited to speak to one of the staff of the regional appraisal teams (there are three) or download a Registration of Interest form, complete

and post it. The aim is to tell potential applicants straight away whether or not a project is likely to meet the general eligibility conditions. If it does, a case officer will be allocated to deal with the project and stay in contact throughout the application process, advising on procedures.

3.16 The information needed:

- A description of the business, ownership and number of employees.
- A description of the project – reasons for the objectives of project, sales and profit projections, cash flow forecasts, time-scale, and the likely impact on employment levels.
- A breakdown of the likely fixed capital costs and extra working capital needs.
- A summary of recent financial performance, including statutory accounts for the last two years and latest management accounts.
- Details and proof of private sector finance for the project.
- An explanation of why you need AIG or how grant would influence the project’s location, scale or timing.
- An estimate of the minimum amount of assistance needed, and the likely consequences if AIG was not granted.

3.17 The aim is to make most decisions normally within 20 working days after receipt of a completed application.

3.18 The grant is paid usually in one or two instalments after the money is spent and/or the jobs created as set out in the offer letter. An interim payment may be made once there is a commitment to a pre-agreed level of capital expenditure.

Data Relating to AIG to Date

3.19 The most detailed published data relating to the AIG Scheme is that provided to the Economic Development and Transport Committee (Economic Development Committee until May 2003). Since the Scheme is designated to operate with the minimum of bureaucracy, and is not a job related grant in the way RSA is, the national level information sent to the Committee was:

	Number of offers made	Offer Value	Project Cost	New Jobs	Maintained Jobs
01/04/02 – 31/03/03	376	£11.9m	£36.5m	643	1,509
01/04/03 – 31/08/03	261	£8.5m	£22m	475	n/a

[figures updated to end December 2003 to be provided in Jan/Feb 2004]

3.20 The above information was provided to the Economic Development and Transport Committee (or its predecessor) in tables which provided the same information by unitary authority area.

3.21 As the AIG scheme has both a lower (£5,001) and upper (£50,000) threshold, the appropriateness of these is of interest. The following table provides information on applications and grant offers by unitary authority area split into those just above the lower threshold (i.e. £5,001 - £10,000) and those just below the upper one (i.e. £40,000 - £50,000) with those in between split at £25,000.

COUNTY	Applications Received in 2002-2003				Offers Made On These up to 31/08/03			
	5-10	10-25	25-40	40-50	5-10	10-25	25-40	40-50
Anglesey	0	7	2	9	0	7	1	3
Conwy	1	6	5	7	1	7	2	4
Denbighshire	1	11	13	17	2	9	10	11
Flintshire	1	7	11	15	2	8	12	11
Gwynedd	4	10	14	31	4	11	12	17
Wrexham	2	4	1	6	1	4	3	2
N WALES	9	45	46	85	10	46	40	48
Bridgend	1	3	3	18	1	3	8	11
Blaenau Gwent	1	2	5	9	1	3	7	3
Caerphilly	5	13	11	20	7	12	13	11
Cardiff	5	10	9	25	4	12	11	9
Merthyr Tydfil	0	2	1	6	0	4	0	4
Monmouthshire	2	3	0	0	1	2	2	9
Newport	1	2	3	15	0	3	3	7
Powys	3	1	6	9	4	0	4	6
Rhondda Cynon Taf	7	21	7	29	7	16	13	12
Torfaen	0	1	2	15	0	3	3	7
Vale of Glamorgan	0	6	2	3	2	4	0	2
SE WALES	25	64	49	149	28	62	61	74
Carmarthen	4	19	6	23	1	16	12	11
Ceredigion	1	4	3	6	0	5	1	4
Neath Port Talbot	6	4	3	22	3	5	4	18
Pembrokeshire	2	6	2	4	4	4	2	2
Swansea	2	5	7	10	3	3	6	6
SW WALES	15	38	21	65	11	33	25	41
TOTAL WALES	49	147	116	299	49	141	126	163

3.22 The table (whose totals exclude the 4% of applications which did not specify an amount of grant being applied for) demonstrates the bunching of a considerable number of applications seeking grants at or just below the £50,000 upper threshold. It also hints that the impressions of staff conveyed to me that a number of grants were offered in the approximate region of about £10,000 less than was sought was very roughly about right across Wales.

3.23 In considering the upper threshold, it is of interest to consider what is happening with applications for RSA just above it. RSA, unlike AIG, is only available in assisted areas and is more tightly related to job creation. The next table therefore looks at the numbers of RSA applications in the £50,000 to £100,000 range which have been received since AIG was introduced on 1st April 2002. It shows that few applications are received in the £50,000 to £99,999 range compared with the number of AIG applications in the £40,000 - £50,000 range.

RSA Applications received in £50,000 - £100,000 Range since AIG started		
	2002-2003	2003-2004 to 31 Dec 2003
North Wales	8(3)	7(1)
South East Wales	24(10)	14(10)
South West Wales	8(-)	6(4)
Total	40(13)	27(15)

*numbers of applications exactly at £100,000

3.24 I return to the issue of upper and lower thresholds in later parts of this report where I refer to the information in the above table along with other information in drawing conclusions on the appropriateness of both thresholds.

Surveys of AIG Applicants

3.25 Every 6 months ICM Division undertakes a survey of applicants for AIG. The results of the first two surveys (which delivered very creditable responses from successful applicants) are at Annex 5.

3.26 Key features of the response include:

- (a) many successful applicants said they proceeded to invest to increase productivity , improve quality, create jobs etc only because of the grant
- (b) a wide range of sources were the first to mention AIG to applicants – including WDA, local authorities a very wide range of business advisers making up most of the sources;
- (c) most found the forms easy to complete;
- (d) a third to a half felt the speed of the decision was slow;
- (e) there was a big rise in those who felt the payments process was slow;
- (f) there were references to lack of clarity in the processes;
- (g) there was a lot of praise for Assembly staff across Wales in the second survey.

3.27 The overall content of the response from applicants paints a very positive picture of the performance of staff of the ICM division of the Assembly, but there are issues to be considered in the design and operation of the scheme suggested by the response, to which I will return.

Autumn 2002 Small Business Service National Omnibus Survey

3.28 For the fifth survey in this series, which covers the whole of the UK, the Welsh Assembly Government commissioned a boost to the sample of SMEs in Wales to bring it to 1,000 in order to generate statistically robust results for Wales. This was recognition of the critical part SMEs play in the economy of Wales – 99.9% of the 140,000 plus businesses active in Wales being SMEs, representing [well] over half of private sector employment.

3.29 Key findings included (some UK equivalents in brackets):

- | | | |
|--------|---|---|
| (i) | Businesses with owners from ethnic minority group | 2% |
| (ii) | SMEs equally or majority owned by women | 47% |
| (iii) | Proportion of businesses reporting discrimination | 8% (34% due to size, 9% race, 9% gender, 2% disability, 2% age) |
| (iv) | Most commonly cited obstacle to success | 49% say Regulations but only 18% say it is the greatest (42% in agricultural sector) |
| (v) | Main source of finance | 14% say bank loans and overdrafts (18%) Government grants 4%(2%) , Government supported loans 1%. 10% (14% in UK) |
| (vi) | Unsuccessful in attempts to raise finance | |
| (vii) | Unaware of sources of advice | 62% |
| (viii) | Aware of Xenos (WDA funded Business Angels network) | 3% but 21% aware of Business Angels (Eng and Scotland 27%) |
| (ix) | Aware of Finance Wales | 14% |
| (x) | Aware of RSA | 26% (17% in Scotland) |
| (xi) | Aware of AIG | 26% (18% aware of Invest for Growth, the “Scottish AIG”) |
| (xii) | Feel that environmental issues are unimportant to their business | 16% of manufacturers
21% of construction sector |
| (xiii) | 43% Separate recyclable waste from general waste | |
| (xiv) | 78% Believe that promoting their business as “environmentally friendly” would have no effect on its growth in the next 5 years. | |

3.30 Other findings of possible relevance to the design and operation of AIG included:

(a) top ten sources of advice

Source	% aware or used
Accountant	17%
Bank	13%
WDA	9%
Business Connect Gateway	8%
Business Association	7%
Trade Association	4%
Local Authority	4%
Consultant	3%
Wales Tourist Board	2%
ELWa	1%

(b) effect of obstacles experienced by 63 business in Welsh sample in raising finance

Impact	% citing
Drain on management time	31%
Survival threatened	29% (17% in UK)
Cannot grow as fast	26% (40% in UK)
Pushes up costs	19%
Productivity affected	14%
Investment affected	9%

(c) proportion of businesses with internet access interested in online business advice (note: this was the position about a year ago)

Sector	% interested
Financial	54%
Hotels/Restaurants	51%
Agriculture	46%
Transport	41%
Manufacturing	34%
Retail and Wholesale	33%
Construction	31% (UK – 35%)
Education/Health	26%
ALL	38% (England 26%, Scotland 43%, N Ireland 49%)

3.31 I make some observations on the above information from the omnibus survey in paragraph 5.6, but I include it here to give a flavour of the SME business landscape within which AIG exists.

4. ARRANGEMENTS IN ENGLAND AND SCOTLAND

- 4.1 Annexes 1 and 2 provide some details of the schemes in England and Scotland. This section focuses first on a recent NAO report on Regional Selective Assistance (RSA) and Enterprise Grant (EG) in England. Although the NAO did not consider RSA in Wales, at the time covered in the review the RSA scheme was operated to broadly common guidelines across Great Britain(as it still is), and had been evaluated as a single scheme jointly by the 3 administrations.
- 4.2 This section then describes some of the analogous scene in Scotland, and concludes with a summary comparing some of the main features of the 3 schemes in Wales, England and Scotland.

England, especially NAO Report on RSA and EG

- 4.3 Enterprise Grant was launched in January 2000, following earlier reviews of RSA, and targeted at SMEs. The National Audit Office (NAO) 2003 report into regional grants in England described how the Department for Trade and Industry (DTI) , over the three years, 1999-00 to 2001-02, spent over £300 million on Regional Selective Assistance and £14 million on Enterprise Grants.
- 4.4 NAO focused on:
- Whether the schemes address clearly identified economic problems;
 - How well the schemes had been operated; and
 - To what extent DTI had established the schemes' impacts on identified problems.
- 4.5 It was a cornerstone of the schemes that DTI (and now the Regional Development Agencies) should pay only the minimum necessary to secure a project, subject to an overall value for money criterion. It would not promote value for money if they published target cost per job figures, for example.
- 4.6 The NAO report goes on to say, “Although specific market weaknesses were not identified in the early design of the Regional Selective Assistance scheme in the seventies, and have not been identified during subsequent revisions, the scheme aims to combat the effects of multiple market weaknesses in the Assisted Areas. It is the DTI’s view that the causes of the economic deprivation of these areas are so manifold that a broad instrument such as Regional Selective Assistance is appropriate. Enterprise Grants similarly address labour and capital market weaknesses at a lower level”. These weaknesses made it hard for NAO to assess whether the schemes represented a cost-effective policy instrument to address the underlying problems of the Assisted Areas.

NAO's views on how well the schemes have operated in England

- 4.7 NAO found that RSA and EG were demand-led schemes, which DTI did not promote in any targeted way. Information was, however, available in brochures, on departmental and regional websites and through organisations such as the Regional Development Agencies and Invest UK. The additional flexibility of Enterprise Grants, which, like AIG in Wales, do not require job creation or safeguarding as a prerequisite had been welcomed by regions in pursuing their regional economic strategies.

- 4.8 NAO found a significant extent of repeated awards to companies. Between April 1994 and March 2002, of all companies accepting grant offers, 12 per cent had received more than one grant, amounting to 31 per cent of the total value of offers accepted. Repeated grant awards can run counter to the scheme aim that support should help firms become self-sustaining, and can obscure the full impact of the assistance given on both the company itself and other companies in the Assisted Area. This issue was addressed, for small value applications in the design of the Enterprise Grant scheme by limiting each enterprise maximum aggregated support of £75,000.
- 4.9 NAO accepted that assessing additionality always presented officials with a challenge because they had to reach a view about what would happen without grant.
- 4.10 NAO considered “displacement”. DTI had to judge whether an applicant’s competitors and other firms involved in the relevant line of business would be adversely affected by the assisted project. Judgements were partly subjective and could not be entirely precise. DTI’s evaluations estimated that 25% of additional assisted employment displaced other jobs in the Assisted Areas, an effect partly offset by the multiplier effect of assisted jobs on the local economy, creating further jobs in non-assisted firms. DTI estimates of displacement net of multiplier effects was around 11%.
- 4.11 The discretionary nature of RSA and EG and associated negotiation of grant levels placed considerable administrative burdens on the applicant and DTI. NAO estimated that, taking a conservative view of the limited information available, the costs incurred by applicants and the DTI together averaged about 10% of the grant award. DTI aimed to make administration proportionate to the degree of risk and potential loss of value for money. It had responded to concerns about administrative burdens in designing the EG scheme. It had not reviewed the actual burdens but tailored the scheme so that wherever possible DTI worked with the applicant’s internal documentation.
- 4.12 NAO’s review of DTI evaluations included the following conclusion: "the evaluations did not address the administration costs for Government or for the applicant. The Government does not collect centrally the costs incurred in the Regions in administering the Scheme, but in this period controlled them through corporate management of DTI’s Regional, and latterly Government Offices. Wherever possible, DTI seek to work with the applicant’s DTI internal documentation, in order to minimise their costs.”
- 4.13 NAO felt there was some evidence to suggest that if evaluation methodology changed to capture more reliably issues it had, the effect could be to reduce estimates of net discounted permanent job equivalents and increase the net exchequer cost per net job.
- 4.14 NAO concluded that regional grants have led to a number of additional jobs in disadvantaged areas, but probably fewer jobs and at a higher cost than the latest evaluation had estimated.
- 4.15 NAO recognised that DTI, as part of a general review of their Business Support arrangements, are currently reviewing and rationalising their grant schemes, including RSA and EG, to increase their contribution to improving productivity and competitiveness. They expected to create a new capital investment support instrument replacing existing schemes. In taking this forward, NAO thought DTI should:

- seek to set out more explicitly the market failings in the Assisted Areas (and elsewhere in the case of Enterprise Grants) which investment support aims to address and consider whether there are any conflicts implied by the job creation and productivity objectives;
- clarify the extent of economic change required in Assisted Areas, and define the measures by which the success of any regional grants may be judged;
- review the scope to improve on the levels of net additionality of the current schemes – for example, by exploring greater use of qualifying criteria related to the DTI development strategies;
- make sure that staff dealing with regional grants receive adequate training and understand the current scheme objectives and apply best practice in administering schemes; a
- review the evaluation process addressing the following points: it should reflect the complete range of objectives for regional grants with specific attention to improvements in productivity; reconsider the treatment of non-additionality and displacement to make sure all important elements are addressed; factor in the administrative costs of both DTI and applicants; and form a view on net national benefits as well as those to Assisted Areas.

4.16 NAO's recommendations were designed to focus assistance more closely on objectives, reduce administrative burdens on both applicants and officials, and give clearer information on whether grants have had the intended effects. They were intended to help the Department to use regional policy funds in the most cost-effective way.

Scotland

- 4.17 In Scotland there is no longer a national scheme for smaller grants **separate** from RSA. Until recently Invest for Growth (IfG) was the brand name used for RSA grants up to £50,000 which used a "lighter touch" application process than for larger amounts of RSA. The IfG name was abandoned after lighter touch arrangements were applied to RSA applications up to £250,000. A description of the position in Scotland is at Annex 2, which includes examples from smaller RSA grants.
- 4.18 Changes to the way RSA was delivered in Scotland were introduced in 2002/2003 to ensure the operation of RSA fitted with the "Smart, Successful Scotland" economic strategy. This included moves to give RSA in Scotland more of a focus on growing Scottish firms and on supporting quality jobs and new targets for speeding up decisions. For a period, small scale RSA (grants up to £50,00) was styled "Invest for Growth". However, following a Scottish review of the scheme, all RSA grants in Scotland are now offered under the RSA brand.
- 4.19 The new approach is more open and for over a year details have been published quarterly on the Scottish RSA website of all RSA grant offers accepted. These show that in the year 1 October 2002 to 30 September 2003 171 offers of RSA were accepted, of which 51 were in the £50,000 or less range, and 33 in the £50,000 to £100,000 range. No grant of less than £10,000 was offered and very few of less than £20,000.

4.20 This suggests that Scotland currently has fewer RSA type grants in the range served by AIG in Wales, but proportionately far more in at values between the AIG upper limit and £100,000.

Overall comparisons

4.21 The following table sets out the broad position in the 3 countries relating to grants in the £5,000 to £50,000:

	Wales	England	Scotland
(1) Government Grant Assistance available in £5k -£50k range	Assembly Investment Grant	Enterprise Grants	Regional Selective Assistance
(2a) lower limit for individual grant under scheme at (1)	£5,000	None, but requirements attaching to consideration of applications in practice means very few grants of less than £5,000 offered*	
(2b) upper limit for individual grant under scheme at (1)	£50,000	£75,000	N/A
(3) Aggregate Limit for awards under scheme at (1)	None	£75,000	None
(4) Location where Grant at (1) available	Whole of Wales	Assisted Areas and Tier 3 areas in England	Assisted Areas In Scotland
(5) Total spent on Grant at (1) in 2002-2003	£12m	£11.9m	£[]m
(6) Other Comments	No separate budget from rest of RSA	Administered regionally - regional prioritisation given to national criteria (taking into account strategies)	Emphasis on job creation stronger. Financial Link to New Deal

*eg for West Midlands, out of 285 grant offers, 27 fell in the £5,000 to £10,000 range, only one at a lower level.

4.22 All 3 countries' schemes exist under section 7 (and in the case of EG and AIG, section 8 as well) of the Industrial Development Act 1982 and conform to the same principles in terms of applicants having to demonstrate need and that the investment would not lead to displacement of other activity. Scotland distinguishes less between grants at these levels and those at higher levels. England has an aggregate limit – but this is 50% higher than the AIG limit for any one application in Wales. AIG is available in non assisted areas in Wales, albeit at lower levels (maximum of 7.5% for medium enterprises and 15% for small enterprises – the maximum permitted by EU legislation outside Assisted Areas).

5. CONSULTATION EXERCISE, AND MATERIAL FROM OTHER SURVEYS

5.1 The consultation letter at Annex 3 was issued in September, and at Annex 4 is a summary of the 31 responses to it. This section concludes with a selection of some of the results of the 6 monthly surveys of all AIG applicants and the National Omnibus Survey.

Some Major Themes Emerging from the Response to the Consultation Letter and Discussions during the review

5.2 I am very grateful to all those who responded and to those who met me. The main themes which emerge from the response and discussions appear to be:

- a) Strong Support for AIG's continued existence to offer support to SMEs.
- b) Significant achievements attributed to AIG in terms of the growth of businesses, job creation etc. Loss of the scheme would be seen as damaging by many correspondents and virtually all those I met, causing a slowdown in economic development.
- c) Many seek changes, including:
 - (i) a greater role for local authorities (suggested by many local authorities)
 - (ii) raise lower threshold
 - (iii) simplify process at lower end (without detailed clarity about how)
 - (iv) convey more explicitly and openly realism about decision timescales and the sort of supplementary information which would help an applicant's case and/or may be asked for to supplement the application
 - (v) reduce pressure on applicants to increase debt to reduce AIG offer
 - (vi) clarify how the scheme actually works
- d) Positive comparisons were drawn with other schemes
- e) There was great praise for AIG officers across Wales but there were concerns about relationships with the Welsh Assembly Government overall, particularly in terms of information and feedback about the scheme. Local authorities, enterprise agencies, the WDA and others wanted more contact to enable exchange of information more fully and formally about how the scheme was operating, successful applications etc.
- f) AIG was felt to be supportive of sustainable economic development in general terms, but a number pointed to the lack of specific links to the Assembly's policies on environmental sustainability. For example, Countryside Council for Wales pointed to a lack of provision in the operation of the scheme to assess the environmental sustainability of projects.
- g) Comments were made about the resourcing of AIG. Some suspected a budgetary squeeze was being applied. Some felt that it should be funded to meet demand, or at least that if a budgetary squeeze was being or will be applied that this should be made clear. Many expressed concerns about staffing levels, but were aware that these had been increased. Many wanted to see AIG officials present at more meetings with applicants and local business advisory organisations.

- 5.3 For the most part, specific reference to the responses is not elsewhere made in the main body of this report. However, while allowing for the fact that they have not come at all equally from all types of stakeholder in the AIG scheme, the views have informed and influenced my conclusions.
- 5.4 The response to the consultation, alongside the 6 monthly surveys of AIG applicants and the National Omnibus Survey, represents a useful resource to the Welsh Assembly Government and its partners in the private, public and not for profit sectors as they develop future policy and operations in this area. All respondents write in the light of their own experiences and roles – and while not wishing to detract from the value their observations bring to considering the ways forward with AIG, it should be noted that the response to the consultation comes most heavily from the public sector and umbrella organisations. **Recommendation 2** (Recommendation 1 follows on next page): ICM Division should consider the responses to the consultation letter issued as part of this review as it evaluates and refines the AIG scheme in coming months. I am aware that it has already started to do so.

Themes Emerging from the 6 monthly surveying AIG Applicants

- 5.5 Para 3.25 referred to these surveys, and at annex 5, I attach a selection of major findings. Even though the questions mainly related to the applications process, many business reported how AIG had made expansion etc possible.

Issues Emerging from the National Omnibus Survey

- 5.6 Some details of this survey are at paragraphs 3.29 and 3.30 above. Key messages for AIG appear to be:
- (a) A large number of the respondents in the sample reporting discrimination on the grounds of small size (34%). Does this support the continual existence of AIG?
 - (b) Awareness of AIG at 26% after only months of operation, when many businesses in the sample would not generally be eligible – this seems promising.
 - (c) Considerable scope to increase the extent to which businesses promote their businesses as environmentally friendly. This would also reflect a key Assembly theme.

6. KEY ISSUES

6.1 This section raises what I consider to be the key issues emerging from this review:

- a. Continued existence of AIG
- b. Collection and release of data about AIG, and communication generally
- c. Are changes need to AIG?
- d. AIG Resource Issues
- e. The AIG brand and its promotion.

Continued Existence of AIG

6.2 Following the decision to launch AIG less than two years ago, I am not aware of any significant evidence of either changes in the economy of Wales since its launch of sufficient extent, or of unsoundness of the overall approach of this grant, which would lead me to recommend its wholesale abolition. There is already some evidence of strengths of the AIG scheme, for example in terms of the quick achievement of a healthy recognition of the brand, the benefits to the image of the Welsh Assembly in the minds of many SMEs, and the highly positive opinions formed of AIG officers.

6.3 It is too early to assess the degrees to which the scheme is achieving additionality (ie growth of economic activity which would have not occurred otherwise, or avoided displacement (ie the subsidising of the growth of an enterprise at the expense of others, especially perhaps those which , without the AIG subsidy, might be more successful in the absence of a competitor who is receiving one). One difficulty with a “light touch” scheme is that the data its processes generate to enable assessment of its impact will be correspondingly somewhat sparser. A longer term experience of the scheme and its development may help counter this, as will the greater ability to identify the impact of AIG on the growth of businesses over the longer term.

6.4 It is thus too early to assess the impact of AIG on the economy and its contribution to achieving the Welsh Assembly Government's Strategic Agenda – which should ultimately be the main long term determinants of the continued existence of the scheme.
Recommendation 1: Assembly Investment Grant should continue to exist.

6.5 The time will come when it will be appropriate to consider more fundamentally the future of AIG, at which time greater attention will need to be paid to its overall impact on the Welsh economy.
Recommendation 3: In 3 to 4 years’ time, the impact of the AIG scheme, and the whole future of the scheme, should be researched and reviewed, with additionality and displacement among the major issues to be considered.

Collection and release of data about AIG, and communication generally

6.6 There are three main issues for me:

- (a) the appropriate regime for creating data on the AIG scheme to enable its proper evaluation, monitoring, review
- (b) the appropriate degree of sharing of both aggregate and individual information with stakeholders.
- (c) Communication with various stakeholders

- 6.7 Most of the aggregate AIG data for this report was readily available, much of it being reported regularly to the Economic Development and Transport Committee. The data on grant applications and offers by bands (e.g. £5k-£10k, £10k-£25k etc) is an exception. Any fundamental reviews in the future will need to access, in a flexible way, aggregate data. Some attention has and is being paid to this within the Welsh Assembly Government, but it is easy for its importance to be overlooked in the mix of more pressing daily pressures. Consideration will need to be given to how to obtain longitudinal data – ie what happens over periods of years to those enterprises which received AIG, in terms of growth of their business. **Recommendation 4:** The needs for the production of data to enable the paper monitoring, evaluation and review should be kept in mind.
- 6.8 A number of stakeholders in AIG (local authorities, WDA, enterprise agencies etc.) have expressed concern at the lack of information about individual applications. If “Team Wales” is to work efficiently for SMEs, these must be addressed. **Recommendation 5:** ICM Division should consider how far it can go in sharing details of applicants and success with applicants with WDA, local authorities etc. There will be confidentiality issues to address, but I would hope a fairly robust approach could be taken – in extremis withholding grant from potential recipients of significant sums of taxpayers’ money if they refuse to agree, perhaps.
- 6.9 There were widespread calls in discussions I had and in responses to the consultation letter from a range of stakeholders for more general communication, for example meetings, workshops etc which some public and private advisers had experienced were valued, but more were sought. In addition, some local authorities and others sought data about the scheme in aggregate across Wales and in their areas. Some of this information is already provided regularly to the Assembly’s Economic Development and Transport Committee, whose part of the website some had penetrated to extract it, but there is scope at minimal cost for the Welsh Assembly Government to be more proactive in making such information more easily accessible to public, private and voluntary sector stakeholders in the AIG scheme across Wales **Recommendation 6 :** Consideration to be given to making the sort of AIG information regularly supplied to EDT Committee more quickly and easily accessible to all.
- 6.10 Communication, whether about individual enterprises, or aggregate activity, needs to be two-way between Assembly AIG staff and all its partners. The last two recommendations above address communication (which will sometimes lead to co-ordinated action) from the Assembly. There is also scope for partner organisations (eg WDA, Finance Wales, local authorities) to consider whether they can usefully take further action in relation to say the mention they make of AIG in their contacts with potential investors and their advisers.
- 6.11 There is much already taking place in this field, though the picture is not uniform across Wales, but during discussions I drew to the attention of two separate all Wales public sector organisations that their literature did not seem to refer to AIG (or in one case the Welsh Assembly Government at all) in literature clearly aimed at readerships to some of whom AIG would be relevant. It is not within my remit to advise those organisations direct in formal terms in relation to this (though I did so informally), but it is open to ICM Division to do so as part of its communication with them. **Recommendation 7:** ICM Division should seek to influence its external partner organisations to refer appropriately to AIG in their literature etc.

Are changes needed to AIG?

6.12 Beyond the data related issues mentioned immediately above, and some which follow in relation to resources and the promotion of AIG, I have explored the following areas of potential change in my deliberations:

- (a) the upper and lower thresholds
- (b) repeat applications
- (c) requirements made of applicants
- (d) relationship of AIG to key Assembly themes and strategies

6.13 On the upper threshold, I see no reason to change the £50,000 upper threshold. I experienced no significant pressure for this in discussion or responses. The number of RSA applicants in the £50,000 to £100,000 range is very small. It may be depressed because the AIG process is as easier and quicker, but I judge that at present £50,000 should remain as the upper threshold, but that ICM should reconsider this issue once a year in the light of experience.

6.14 In terms of value for money, I suspect from some of the discussions I had that a higher upper threshold would have encouraged some applicants to have applied for support in the same investments at above £50,000. In England their current Enterprise Grant scheme has an upper threshold of £75,000 – but this is an aggregate total applied to an enterprise. I would prefer in Wales for the flexibility to remain for repeat applications to be successful (where they have merit), rather than raising the upper limit. One member of the Assembly's own staff has suggested that perhaps a ceiling of £100,000 of AIG should be applied as an overall limit to an enterprise, to be drawn down in 2, 3, 4, 5 or 6 tranches as the business grows by making successive investments. While this has its attractions, I do not favour it because I believe it would require greater Assembly staff resources to run it, as a closer long term relationship with the successful applicant is implied, but more importantly because while an initial AIG grant may be justified to make a first investment happen, many successful businesses may not be eligible for later tranches on the grounds that they will have by then developed a track record sufficient to bring in loans or equity from the private sector and other parts of the public sector.

6.15 **Recommendation 8:** The upper AIG threshold should remain at £50,000, but ICM Division should review this once a year.

6.16 There is perhaps already far more substantive debate to be had about the lower threshold. Some local authorities would like to see it rise. There are relatively few applications in the £5,001 to £10,000 range. While local authority grant schemes in Objective 1 areas have European funding, currently AIG does not. AIG currently not only have a lower threshold of £5,001, it also had a minimum grant of £5,001 which means that having gone through all the application process, if £5,001 is judged to be too much (whether the application sought £5,001, £6,000 or £9,000) no grant at all will be offered.

6.17 **Recommendation 9:** ICM Division should consider advising raising the lower threshold to £10,000. If it were decided to do so, consideration should be given to leaving the £5,000 as the minimum grant which can be awarded so that the work by both the applicant and the Assembly relating to a worthy application which is considered to merit at least £5,001 but not £10,000 will bear some fruit.

- 6.18 My initial suspicion was that repeat applications could be a significant abuse of the objectives of the AIG scheme, exhibiting “grant dependency” on the part of applicants, and even the possibility of an extreme rogue element of adviser targeting repeat fees for AIG applicants.
- 6.19 These are dangers to be borne in mind, but one of the major advantages of AIG is its flexibility, and having spoken to a range of applicants and advisers I do not want to advise much in the way of rigid new rules in relation to repeat applications. If a first application was legitimate and successfully implemented, why should a small business be able to firmly predict more than 6-12 months ahead if it will be strong enough to wish to pursue a further investment?
- 6.20 On the other hand, the longer the scheme exists, the greater the danger that AIG could prop up continually struggling businesses in a way inefficient for the use these funds. Some limits have to be drawn. **Recommendation 10:** Rules should be considered to rule out the most extreme aspects of repeat applications - for example setting an absolute limit on the number of repeat applications **ever** (4 or 5?); a minimum period between submission of successive applications if the first was successful; and possible successful reduction of the maximum percentage of grant awarded with repeat applications by the same business.
- 6.21 On detailed requirements made of applicants, I will say relatively little here as the Internal Audit Service is to look at the operation of the AIG scheme in the coming months and ICM Division is itself active in this area. However, two overall features strike me. First, there is a widespread view that the burden on those seeking smaller amounts of grant (up to say £20,000 - £25,000) should be lower than for larger amounts. Second, there is a marked bunching of applications for grants in the £40,000 – 50,000 range. So in **relative** terms, I believe there is a case for a lighter touch at lower levels than higher ones of AIG.
- 6.22 This is already recognised to some degree by the extent to which balance sheets etc, are required, but I think would best be revisited in the light of IAS’s report. **Recommendation 11:** In the light of the forthcoming IAS audit of AIG, consideration should be given to a differentiation in lightness of touch between grant applications above and below a certain level(say 20K –25K). This may not mean a lighter touch for the smaller applications – it could mean a heavier touch in whole or in part than is currently the case for larger applications.
- 6.23 Turning to the key themes of the Assembly, it is clear that economic sustainability is at the core of the rationale for AIG. The variations in grant levels in different areas is in part a response to the social inclusion agenda in focussing greatest proportionate help in the most disadvantaged areas. The quality agenda is served by AIG too. The omnibus survey revealed that SME respondents regarded their small size as the major cause of discrimination against their business. In pursuit of the equality theme I pursue the importance of consistency in the operation of AIG across Wales below [at para 6.38]
- 6.24 Those responsible for the design and operation of the AIG scheme need to ensure that the scheme continues to increasingly reflect key Assembly themes. One area where more than one respondent to the consultation has suggested there is scope for development is in increasing the reflection of the Assembly’s policies on environmental sustainability in the AIG scheme.

6.25 For example, I quote from the Countryside Council for Wales' response at Q7 of Annex 4 where they advise on how AIG applicants might be referred to practical guidance on this issue. Finance Wales is an example of an organisation which serves similar potential applicants and which is doing more in this area than AIG at present. **Recommendation 12 :** More consideration needs to be given to wider key themes of the Assembly in the design and operation of the AIG scheme, starting with environmental sustainability in terms of issues such as notification to applicants and their advisers of both guidance available and also information which may be sought in support of applications.

AIG Resource Issues

6.26 I consider here 3 resource issues:

- (a) the overall amount of funding available for grant;
- (b) the demands made on the resources of the applicants and those advising them; and
- (c) the resource needs of the Welsh Assembly Government to develop manage and evaluate the scheme.

Overall amount of funding available for grant

6.27 Until now, the Assembly's stance has been that AIG is demand led. Demand for AIG greatly exceeded initial expectations and continues at a much higher level than that originally envisaged. This is a symptom of success. However, it also raises the real possibility that one day the Welsh Assembly Government may need to consider more sophisticated approaches to handling demand for AIG. This review cannot make any meaningful comment on the appropriate level of overall resources which should be made available under the AIG scheme. However, I will venture that should overall resource restraints become a key issue, prioritisation rather than wholesale tightening of eligibility would be the right course for a grant whose unique feature is its flexibility.

6.28 The following examples of considerations which could be taken into account in deciding how to prioritise applications are given purely for illustrative purposes:

- (a) growth potential of the applicant business
- (b) record of previous applications. Too frequent applications may indicate a less than thriving enterprise. However, a repeat applicant may be growing the business successfully and need a second grant to grow fast.
- (c) A tougher stance on enforcement of the "last resort" principle – eg being more rigorous in ensuring sources such as Finance Wales have been thoroughly explored without prospect of success.
- (d) Less desirable, raising the lower threshold to say £15,000
- (e) Last and least desirable, lowering the upper threshold to say £40,000

6.29 **Recommendation 13:** prioritisation principles should be developed so that if the day arrives where not all applications which currently qualify can be funded, a ready mechanism will be available.

Demands on the resources of applicants

- 6.30 The demands made on applicants contribute to a range of objectives:
- (a) First and foremost, they provide a degree of comfort to the Welsh Assembly Government in relation to its accountability for the public funding provided, and its obligations in relation to the Companies Acts not to support businesses which are trading while insolvent;
 - (b) Many of the questions asked and the documents requested should not pose great difficulties to those businesses which have adequate business planning – planning which itself offers a better basis for the success of the enterprise irrespective of success with grant applications. The sort of information requested should reasonably be expected to exist in the case of those who have sought bank loans etc – AIG is intended to be the funding of last resort.
 - (c) All Government expenditure must be evaluated – information from applicants forms part of the evidence for this process.

6.31 Many new businesses, micro businesses and small businesses have weak or non-existent business planning. At least some of the cost of applicants providing material relevant to business planning and of AIG officers considering it should be regarded as an investment in the future growth and management of risk of the business.

6.32 However, demands should always be the minimum necessary. **Recommendation 14:** Demands on applicants should be kept under regular review, recognising the balance which needs to be struck with accountability. Such considerations should weigh in the balance, to a limited extent, that the applicant's and the Assembly's work in the application process may be regarded as partly an investment in the business and the area as well as a cost, especially where the demands of the AIG process act as a catalyst to an enterprise making a step forward in the quality of its business planning.

The resource needs of the Welsh Assembly Government to develop, manage and evaluate the AIG Scheme

- 6.33 It is apparent from many of the discussions I had with a variety of stakeholders around Wales, including with members of staff of the Welsh Assembly Government itself, that in the early stages of AIG there was a shortage of staff to deal with applications. With hindsight this is not surprising as the number of applications exceeded initial expectations greatly, to a point well beyond the capacity of the level of staff resources available, and additional posts were created in each of the 3 regional offices.
- 6.34 Going forward, it would be wise to keep a range of staffing issues under review, including:
- (a) monitoring section – demands on it seem likely to rise in the short and medium term;
 - (b) professional advice – typically accountancy advice is frequently sought by case officers, by two of the offices in particular. In responding, ICM accountants are contributing to the training and development of case officers
 - (c) resources to manage and develop the scheme
- 6.35 There is considerable scope for the Government's development and management of the AIG scheme to be more focussed. For good operational resources (e.g. avoidance of

delay) all three offices are flexible in the allocation of case officer and signing off duties to staff. While retaining this flexibility, I think one officer at about HEO level in each office should become a focus for general AIG issues.

6.36 In Cardiff, there appeared to be a complex set of people involved in what might be called “HQ functions”. Different people appeared to lead on overall policy advice, promotion, issue of guidance to regional offices, data etc. In addition, there was some indistinctness between what one might call “HQ” and the “SE Regional Office”. Even though officers may fulfil some of both roles, I think more clarity of function is needed.

6.37 Recommendation 15: a lead HQ “owner” of AIG should be identified with overall responsibilities for the scheme; lead AIG officers should be identified in each regional office; and Cardiff should regard itself more clearly as fulfilling two roles.

6.38 With 3 regional offices, inconsistencies can arise. There must be robust systems in place to resist this, not only on the grounds of general fairness and achieving the greatest effectiveness from the AIG funds disbursed, but also to reflect the Assembly’s key theme of equality.

6.39 If there is inconsistency on a geographical basis, there may also be unintended and undetected indirect discrimination occurring **Recommendation 16:** If recommendation 16 is accepted and implemented, a new focussed internal AIG group be formed with, at its core, the HQ AIG “owner”, the 3 lead AIG officers from the 3 regional offices, and a representative of the monitoring section. This new group was inaugurated, its first meeting being held on 4 December 2003.

6.40 I do not regard the two recommendations above as needing to generate other than de-minimis resource demands. In the medium and long term they should generate savings compared with what would have been the case with less focussed leadership.

The AIG brand and its promotion

6.40 It is apparent from the results of the Omnibus Survey (undertaken less than 9 months after its inception) that AIG had quickly achieved a relatively high level of awareness among SMEs. 26% of the SME sample in Wales who responded in late 2002 to the Omnibus Survey were aware of the AIG scheme. This is a good start to awareness, especially as many SMEs (eg retail and many services) are not eligible for AIG, so the likelihood was that over a year ago, awareness among “eligible” SMEs was higher than 26%.

Recommendation 17 : If the AIG scheme is greatly changed at any future date, its name should be retained if at all possible, as it has so quickly achieved a good recognition level.

6.41 A number of useful steps have been taken to make information about the scheme accessible. For example, press releases are issued giving information about a relatively small proportion of successful applicants, guidance is available (and has been reviewed in the light of experience), information on the ICM Division part of the Economic Development part of the Assembly’s website. The Assembly’s partners also draw potential applicants’ attention to AIG as Annex 5 shows where it describes the range of source from which applicants first heard about AIG.

6.42 I believe there is no need for a general advertising effort to raise basic awareness of AIG. However, I think there is scope for realistic information about AIG to be more integrated into material which the Assembly and its partners produce. For example:

- the WDA produces a magazine “Business” which includes pen pictures of businesses which have received support from a range of sources. While some of its issues may have included pen pictures of enterprises where AIG played a part, the issues I saw did not. I have suggested to WDA staff that they may wish to consider this.
- The Western Mail , in late 2003, issued its second edition of “SME Wales”, a small pull-out from one of its daily editions. The latest edition contains articles and/or adverts from local authorities, enterprise agencies, a private sector business body, Business Eye, careers organisations, the Equal Opportunities Commission and the Wales Euro Information Centre. None of the text of any of these makes even a passing reference to AIG. Perhaps there is an opportunity worth considering here?
- The website could perhaps be made more accessible and informative. The Scottish Executive includes on its website pen pictures of successful applicants for RSA (including some relating to those who received RSA grants at levels at which AIG is awarded – some of annex 2 of this report includes material on Scottish enterprises drawn from this source. The Assembly could replicate this as it already produces such pen pictures for press releases.
- Now that the AIG practitioners’ group has been established , one item on its agenda could be to harness the ideas of all 3 regional offices on publicity issues, especially that carried out at local and regional level, which may be an important source of information for small businesses.

6.43 Recommendation 18 : Consideration should be given to placing more information about the role AIG can and is playing in Assembly and partner led communication media.

7. LIST OF RECOMMENDATIONS

1. Assembly Investment Grant should continue to exist.

ICM Division should consider the responses to the consultation letter issued as part of this review as it evaluates and refines the AIG scheme in coming months.

In 3 to 4 years' time, the impact of the AIG scheme, and the whole future of the scheme, should be researched and reviewed.

The needs for the production of data to enable the paper monitoring, evaluation and review should be kept in mind.

ICM Division should consider how far it can go in sharing details of applicants and success with applicants with WDA, local authorities etc.

Consideration to be given to making the sort of AIG information regularly supplied to EDT Committee more quickly and easily accessible to all.

ICM Division should seek to influence its external partner organisations to refer appropriately to AIG in their literature etc.

The upper AIG threshold should remain at £50,000, but ICM Division should review this once a year.

ICM Division should consider advising raising the lower threshold to £10,000. If it is decided to do so, consideration should be given to leaving the £5,000 minimum grant awarded.

Rules should be considered to rule out the most extreme aspects of repeat application - for example setting an absolute limit on the number of repeat applications **ever** (4 or 5?); a minimum period between submission of successive applications if the first was successful; and possible successful reduction of the maximum percentage of grant awarded with repeat applications by the same business.

In the light of the forthcoming IAS audit of AIG, consideration should be given to a differentiation in lightness of touch between grant applications above and below a certain level (say 20K –25K). This may not mean a lighter touch for the smaller applications – it could mean a heavier touch in whole or in part than is currently the case for larger applications.

More consideration needs to be given to wider key themes of the Assembly in the design and operation of the AIG scheme, starting with environmental sustainability in terms of issues such as notification to applicants and their advisers of both guidance available and also information which may be sought in support of applications.

prioritisation principles should be developed so that if the day arrives where not all applications which currently qualify can be funded, a ready mechanism will be available.

Demands on applicants should be kept under regular review, recognising the balance which needs to be struck with accountability. Such considerations should weigh in the balance, to a limited extent, that the applicant's and the Assembly's work in the application process may be regarded as partly an investment in the business and the area as well as a cost, especially where the demands of the AIG process act as a catalyst to an enterprise making a step forward in the quality of its business planning.

a lead HQ "owner" of AIG should be identified with overall responsibilities for the scheme; the lead AIG officers be identified in each regional office; and that Cardiff should regard itself more clearly as fulfilling two roles.

If recommendation 15 is accepted and implemented, a new focussed internal AIG group be formed with, at its core, the HQ AIG "owner", the 3 lead AIG officers from the 3 regional offices, and a representative of the monitoring section. [this was inaugurated on 4 December]

If the AIG scheme is greatly changed at any future date, its name should be retained if at all possible, as it has so quickly achieved a good recognition level.

Consideration should be given to placing more information about the role AIG can and is playing in Assembly and partner led communication media.

ANNEX 1

Enterprise Grant (A DTI Scheme offering support to SMEs in England)

1. Enterprise Grant is a form of financial assistance enabling an SME to make capital investments that would not otherwise take place due to financial constraints. It complements the availability of funds from commercial sources, such as banks, in helping to a firm to finance its growth. Projects can involve expanding, modernising or restructuring an existing business, or setting up a new business.
2. The grant is discretionary and will be awarded to those projects that offer good prospects for sustainable business development and maximise the economic benefits for their region. National scheme criteria apply across England but there are some regional variations according to the economic priorities of each region.

Value

3. A small business (as defined by the European Commission) can receive a grant of up to 15% of their eligible project costs up to a maximum grant of £75,000.
4. A medium-sized business (as defined by EC) can receive up to 7.5% of their eligible project costs up to a maximum grant of £37,500. The EG share of costs can be increased to 15% if a business is based in an Assisted Area (as defined by the European Commission).

Eligibility

5. To be eligible, an applicant must be an SME (as defined by the EC) and either operating or planning to set up business in an Enterprise Grant area of England.

Evaluation

6. The DTI's Small Business Service's Regional Teams are responsible for administering Enterprise Grants, including appraising applications, awarding grants and monitoring projects. The target turnaround times for decisions on whether to offer support is applications is 30 calendar days from receipt of a complete application.

ANNEX 2

RSA IN SCOTLAND

1. The Framework for Economic Development in Scotland sets out the Scottish Executive's vision:
"To raise the quality of life of the Scottish people through increasing economic opportunity for all on a socially and environmentally sustainable basis."
2. Regional Selective Assistance (RSA) is the main national grant scheme encouraging investment and employment in the Assisted Areas of Scotland. It is a key component of Scottish domestic regional policy. Consistent with the Smart Successful Scotland strategy, RSA supports growing Scottish businesses. It contributes to the Scottish Executive's vision by:
 - Targeting those areas of greatest need;
 - Helping create and safeguard jobs; and
 - Supporting business investment.
3. Traditionally, projects supported by RSA involved substantial capital investment. However, assistance is now offered to projects with relatively low levels of capital expenditure but which will create new jobs. A number of recent RSA offers are based on this new scope to aid job creation – projects where the majority of the investment is in new people rather than new equipment. This is particularly suited to supporting knowledge-intensive industries such as software development, financial services and research and development activities but it can equally assist jobs in the manufacturing or the call centre industry.
4. Also, during 2002/2003 a grant premium was introduced offering firms up to £5,000 extra for each New Dealer taken on and retained. This is a unique Scottish initiative, an extra incentive to investing firms to broaden their recruitment base.

A New Focus

5. 2002/2003 saw major changes to the way RSA was delivered in Scotland. An external review of the scheme in 2001/2002 recognised that RSA played a worthwhile and necessary role but recommended changes to make it more accessible to Scottish firms.
6. Tough new targets for speeding up decisions acknowledged that businesses require a quick decision on critical funding issues. The target for grants up to £50k was 10 working days, with an average achieved in 2002-2003 of 15 days. RSA delivery across the board is now much more integrated with other forms of support and local economic development partners are now working much more closely with Scottish Executive staff to deliver a joined up service to local and foreign firms alike.

Openness

7. 2002/2003 heralded a new openness about the scheme designed to make more firms aware of RSA, including where and how it operates. A new website, www.rsascotland.gov.uk and straightforward literature are designed to make it easier to find out about the scheme.
8. Pen pictures of successful applicants are included – 3 examples of part of the text on the website (at £50k grant or below) illustrate this:

(a) Lampcare UK Recycling Ltd

“..... grant of £44k to Lampcare in 2000 to enable it to establish its Glasgow business where it recycles fluorescent tubes and sodium lamps containing mercury. The service involves the recycling of lamps by breaking them down into their component parts of aluminium glass and mercury and either disposing of them in an environmentally acceptable manner or selling the components on to third parties. Demand for the service is being driven by rising landfill costs and the European Directive on the Waste Electric and Electronic Equipment Sector. This small business needed grant to help it meet capital investment costs totalling £220k. This investment was expected to lead to the creation of 6 new jobs. The project has been carried out and the grant paid in full.”

(b) Alba Ultrasound Ltd

“... a spin out from Strathclyde University. Alba engages in design and development work related to high quality ultrasonic transducers used in sonar defence and commercial systems, non-destructive testing and biomedical ultrasound applications. Offer of RSA of £50k in June 2001 to commercialise the research work and establish Alba as a manufacturing business. The project will involve a move to new premises in Glasgow and investment of £164k in manufacturing and test equipment, creating an additional 5 jobs in the business.

(c) Clyde Corrosion Control Ltd

Clyde Corrosion Control is a start up company, owned and managed by Ms Bonnie Lowson, which provides shot-blasting and painting services. £24k in RSA paid in September 2002 to help establish the business and exploit a niche segment of the market for which there was limited capacity in Scotland. The company has invested £90k and created 4 full time jobs and 1 part time job in its first year.

“Start up costs for our business are extremely high and I wouldn’t have managed without the help of the Scottish Executive.”
Bonnie Lowson, MD.

9. Another new initiative sees the publication of quarterly lists of all firms who have accepted offers of RSA grant, detailing grant and job totals. They aim to dispel lingering misconceptions about RSA and demonstrate its potential to support business growth across a wide range of industries. The following table summarises the position since 1 October 2002:

SCOTLAND – RSA OFFERS ACCEPTED

	Total since 1/10/02	Oct-Dec 02	Jan-Mar 03	Apr -Jun 03	Jul-Sept 03
Total	171	46	49	41	35

50K-100K	33	14	9	6	4
50k or less*	51	13 (13, 20, 20, 21, 22, 24, 30, 30, 35, 39, 45, 45, 50)	18 (15, 15, 15, 20, 30, 30, 32, 35, 35, 35, 40, 40, 40, 43, 45, 50, 50, 50)	12 (10, 20, 20, 20, 20, 21, 25, 30, 30, 40, 50, 50)	8 (15, 20, 25, 30, 35, 35, 40, 45)

* numbers in brackets are the actual sizes of individual grants accepted to give an impression of the spread

Multiple Grants

10. Most assisted projects will cover a 2 or 3 year period, although it is possible to have more than one live RSA offer at any one time. Many companies apply for a second or third grant as, often, their first RSA grant enables them to properly establish their business while a second grant enables them to take it to a higher level.

Grant Premia

11. **SME Premium.** A small or Medium sized Enterprises (SME) may be offered a premium of up to 7% on top of the standard aid intensity level. For example, if located in a 15% areas, a project can be offered up to 22% subject to all of the other criteria being met.
12. **New Deal Premium.** Employing someone under the New Deal scheme and retaining them for at least 2 years, may entitle applicants to a premium of up to £5,000 for each job filled by a New Dealer. This also includes someone who has graduated from the New Deal scheme within the preceding 13 weeks. This premium is subject to the RSA normal grant limits.

Annex 3

Eich cyf . Your ref
Ein cyf . Our ref

September 2003

Dear

REVIEW OF ASSEMBLY INVESTMENT GRANT

The Assembly Investment Grant has now been in operation for over a year. In order to gauge the value of the scheme I have been commissioned, as a reviewer based outside the Economic Development Department, to undertake a review with the following terms of reference:

“To consider whether AIG, as operated so far, provides good value for money and is efficient and effective in meeting its objectives of encouraging indigenous SMEs to invest and become more competitive, while taking account of the Assembly’s guiding principles of sustainability, equal opportunities and social inclusion.

The reviewer will consider the scheme’s cost effectiveness, whether it supports the objectives of A Winning Wales effectively and what improvements could be made in order to better meet the needs of the Welsh economy”.

Regular survey of AIG applicants

The Welsh Assembly Government’s Investment and Corporate Management Division recently conducted their regular survey of the experience of the process of recent applicants for AIG. Some of you will have received that survey. Whether or not you responded to it, I would like to stress that this independent exercise is a specific ad hoc invitation to you to offer more wide ranging views before the Welsh Assembly Government decides how the scheme should go forward.

The AIG Scheme

AIG is a fast-track grant scheme from the Welsh Assembly Government which aims to help Small and Medium-sized Enterprises (SMEs) **throughout** Wales to make capital investments in their businesses. Grants of £5,001 to £50,000 are available. AIG is part of Team Wales’ suite of advice and financial support for businesses in Wales which is working to enhance Wales’ position as a world-class business location. The amount of grant depends on a project’s location, the needs of the project and the impact the project will have on the economy. There is no requirement to create jobs but none must be lost as a result of a successful project. Each project needs to demonstrate that it would not go ahead without the grant assistance

Some questions suggested for consideration

In the light of the above and your experience, I would be grateful if you could consider the following types of question. In any response, please feel free to cover as few or as many of the issues raised, or indeed to raise issues relating to AIG not mentioned here:

- Q1. Do you think there is a continuing need for AIG?
- Q2. How significant are the achievements of AIG support?
Is there more that could be done? If so, what?
- Q3. What would be the impact if AIG were discontinued?
- Q4. Should AIG be changed in the way it operates?
- Q5. How does AIG as a scheme, and/or its operation compare with other, comparable schemes?

- Q6. Is there an effective understanding between the Welsh Assembly Government and your organisation (or your strategic partners, constituents or customers) about the role of AIG?
- Q7. To what extent do the AIG's aims and objectives reflect the guiding themes and values of the National Assembly – for example, in advancing sustainable development; tackling social disadvantage; equal opportunities; acting strategically; working in partnership; or being inclusive?
- Q8. Should the AIG's aims and objectives be changed in any way to better reflect these themes?
- Q9. Does the AIG need different flexibilities to improve its delivery? If so, how might they be achieved while not weakening the overall accountability of its expenditure?

Consultation

As the reviewer, I am issuing this letter as an invitation to a wide range of bodies and individuals working in Wales in fields of relevance to the AIG scheme. This letter attaches a list of bodies (excluding the names of individual companies) to which I am sending this letter. A copy of this letter is being placed on the National Assembly's website (www.wales.gov.uk), where it also possible to access more information about AIG (www.wales.gov.uk/subitradeindustry/content/grantsforbusiness/aig-e.htm)

Please feel free to share this invitation to comment with any other bodies or individuals within and beyond Wales, or to alert me to others with a potential interest.

Responses

There are a number of issues, described above, where I would welcome your comments. If you wish to contribute, please send one copy of your response, with "Consultation on AIG" as the title, **to arrive with me by 31 Oct 2003**, to:

Martin Rolph
AIG Review
c/o National Assembly for Wales
Cathays Park
Cardiff CF10 3NQ

Please begin your contribution with a clear indication of which organisation (if any) you represent. Any queries relating to this consultation exercise should also be directed to me by post to the above address, by email martin.rolph@wales.gsi.gov.uk, or by telephone on 029 2080 1364.

The results of this consultation may be published, as I intend to treat all responses as public, **unless** respondents clearly state that they wish their comments to be treated as confidential. I may still include such replies in summaries of responses, unless such summaries could be used to identify respondents who wished their comments to be confidential.

I would be very grateful if you could consider this as an invitation to raise as many or as few points as you think appropriate, and also to set out your priorities, concerns and ideas about AIG and the way you would like to see it operate in future.

Martin Rolph

SUMMARY OF RESPONSE TO CONSULTATION LETTER

1. I am very grateful to all those who wrote to me in response to the consultation letter (Annex 3). This Summary seeks to present a fair range of comments, in the words of the correspondents themselves. It cannot seek to represent them "scientifically" and it is unlikely that the range of those who chose to write to me is a representative cross-section of all the stakeholders in AIG.
2. In particular, very few comments were received from individual applicants because I did not target them with my letter as they are all invited to respond to the 6 monthly survey the Assembly's Investment and Corporate Management Division conducts. I have considered the results of that survey in the main body of the report at section 5. In this survey the comments of local authorities are particularly well represented as over half of them responded to the consultation.
3. Returning to the response to my consultation letter, I must stress that the selection and "cropping" of quotations below is mine. I apologise if I inadvertently distort any correspondent's views. The comments are grouped by the questions to which they respond, or mainly respond:
 1. Is there a continuing need for AIG?
 2. How significant are the achievements of AIG support? What more could be done?
 3. What should be the impact if AIG were discontinued?
 4. Should AIG be changed in the way it operates?
 5. How does AIG compare with other, comparable schemes?
 6. Is there an effective understanding between the Welsh Assembly Government and your organisation (or your strategic partners, constituents or customers) about the role of AIG?
 7. To what extent do the AIG's aims and objectives reflect the guiding themes and values of the National Assembly?
 8. Should the AIG be changed in any way to better reflect these themes?
 9. Does AIG need different flexibilities to improve its delivery? If so, how might they be achieved while not weakening the overall accountability of its expenditure?
 10. Other issues.
 11. List of those responding to the consultation letter

1. Is there a continuing need for AIG?

- (a) “Very much if we are to continue to stimulate growth in the indigenous SME sector. ... particularly in previously non-assisted areas.”
(WDA South East Wales Business Support Executives)
- (b) “Many companies have been prompted to adopt a more strategic approach, bringing forward ideas/projects....[by]... for many months or possibly years.”
(WDA)
- (c) “... a number of projects for which members have acted...would have been shelved or delayed without the grant.... brought operations previously carried out overseas.....”
(Wales Manager, Institute of Chartered Accountants in England and Wales)
- (d) “.....relatively ‘red tape free’ and fast to access can [so] only benefit SMEs.”
(Chief Executive, Community Enterprise Wales)
- (e) “...addresses well...investment finance in the £5,000 - £50,000 range – arguably the range that is most likely to be sought by SMEs in Wales given...our economy.”
(Welsh Policy Development Officer, Federation of Small Businesses)
- (f) “...very little dialogue or feedback... no idea of the number of grants awarded to Merthyr companies, the size of the awards and the impact of these.”
(Economic Development Officer, Merthyr Tydfil County Borough Council)
- (g) “..... helping viable projects get off the ground. Without the support many companies would find it difficult to invest in new equipment.”
(Business Services Manager, Neath Port Talbot County Borough Council)
- (h) “...only significant public sector grant towards capital expenditure for firms located in Wrexham (...only county in Wales to have no assisted area).”
(Chief Economic Development Officer, Wrexham County Borough Council)
- (i) “...job creation element as not necessarily being the determining criteria... will assist companies to expand and develop irrespective of the job creation element.....”
(Assistant Director, Economic Development and Tourism, Ceredigion County Council)
- (j) “...many local authority schemes have been re-oriented to ensure compatibility with AIG. Some such schemes have been match-funded with European money and will have a fairly lengthy operational period....retain AIG in its current form, at least until the end of the Objective One period in order to maintain this wide-ranging choice of support.”
(Head of Economic Development, Ynys Mon Isle of Anglesey County Council)
- (k) “Our own grant schemes can only offer support of 50% up to £5,000. Prior to the introduction of AIG this left a very large number of investment projects that were substantially above £10,000 but not of sufficient size to make applications for RSA either relevant or worthwhile in terms of time or likely support. a number of projects did not proceed”
(Senior Projects Officer, Caerphilly County Borough Council)

- (l) “...vitaly important...enables [SMEs] to put together funding packages, supported by banks and the private sector.... allows investment when there is little or no job creation, a very important consideration when looking at any “knowledge-based businesses”.”
(Business Development Manager, Flintshire County Council)
- (m) “....assisting companies both to meet the costs and share the associated risks involved is an essential developmental aspect for both the company...and the people of the area...”
(Business Environment Coordinator Blaenau Gwent County Borough Council)
- (n) “....from the take up of and interest in this scheme...continuing need for...financial support to...SMEs...Wales...to encourage them to invest in and expand their operations”.
(Cardiff Chamber of Commerce)
- (o) “.....can make...investments....easier to make....AIG “influence” does make the investment happen....confidence is somewhat low in manufacturing at the moment”.
“....valuable [that] the scheme treats human resource and capability as a capital item recognises and assists the knowledge based economy that we all striving for.”
(Director of Regeneration, Carmarthenshire County Council)
- (p) “.....the Welsh economy continues to experience many of the problems behind the introduction of AIG....difficult to envisage how £5,000 - £50,000 grants could be provided on a national basis in the absence of AIG.....need for stability in business support products and structures to raise awareness amongst new and existing businesses over what is available.”
(Welsh Local Government Association)
- (q) “The context under which AIG was established, with a focus on capital investment for start-up and existing SMEs, is still relevant, perhaps more so, in the current economic climate , and certainly addresses one of the major concerns of the Welsh economy, that of a low business start-up rate.”
(Deputy Leader(Enterprise and Transport), Cardiff County Council)

Q2. How significant are the achievements of AIG support? Is there more that could be done? If so, what?

- (a) "... significant, especially for...companies.... needing to invest but... not yet creating new jobs.... more helpful if the level of support[in unassisted areas]was increased from 15%."
"...raised the aspirations of many SMEs who previously felt that they got a raw deal as compared with large inward investors. ...the same deal [across Wales]..... when smaller grants were solely in the hands of the local authorities, was not the case."
"...those who have good relationships with their accountants are definitely at an advantage. The smaller companies who try....applications unassisted often struggle."
"Perhaps a greater emphasis should be placed upon companies with successful trading history. Sometimes it appears that companies are penalised for being successful. AIG has significantly supported expansions and job creation within Wales. There needs to be a clear understanding [in] businesses on sectors supported."
(different WDA S E Wales Business Support Executives)
- (b) "...given...companies confidence to plan and go ahead with projects which otherwise they probably would not have even commenced consideration of ...another organisation sharing the risk of the project gives confidence to the company to go ahead, truly believing the project's success because a 3rd party has reviewed the criteria as well as themselves."
(A self employed accountant working in North Wales).
- (c) ".....AIG support has helped us make an expansion that would have otherwise not taken place for a long time if at all."
(Successful North Wales applicant)
- (d) "...application process is straightforward and although there have been delays in some instances in the turnaround of the applications....sympathetic and understanding knowledge from all the [AIG]staff at the office."
".....the best scheme there is...flexible and straightforward.... The services offered by Finance Wales are not like for like, admittedly however the timescales and charges incurred have...turned people off from utilising the lending capability of Finance Wales, leading firms to utilise more efficient lenders."
(Local Authority Business Development Officer writing to express own personal views)
- (e) "..... the ability to be more flexible with the use of the money – ie for revenue as well as capital would have been beneficial."
(Chief Executive, Community Enterprise Wales)
- (f) "...no recognition in the AIG of our scheme [the Wales Co-operative Centre's work to develop and facilitate business successions in Wales]...may be partly our fault, but nonetheless there is a lack of understanding and co-ordination between both parties. Perhaps a designated person could be nominated in each Region to liaise directly with us on cases and to develop mutual understanding."
(Business Adviser, Wales Co-operative Centre Ltd)
- (g) "...no requirement to create jobs as part of the criteria for the AIG. This flexibility allows Small Businesses to consolidate a wealth base and develop success without the pressure of job creation targets."

(Welsh Policy Development Officer, Federation of Small Businesses)

- (h) "...the Investment Grant would be more appropriately delivered by unitary authorities. companies in Merthyr Tydfil often .. reluctant to engage with the Assembly which further enhances the argument for local delivery."
(Economic Development Officer, Merthyr Tydfil County Borough Council)
- (i) "..... a need to share the views of the business community outlined in the regular survey by WAG with the business advisers in the field.... "
(Business Services Manager, Neath Port Talbot County Borough Council)
- (j)in 2002, only 4 grants were awarded to firms in Wrexham, with £158,975 being provided towards project costs totalling £591,162, creating **15** new jobs and safeguarding 129. very disappointing that despite [this authority's] proactive approach, local businesses are unable to benefit more extensively from potential AIG funding."
(Chief Economic Development Officer, Wrexham County Borough Council)
- (k) "...a close working partnership approach with the Assembly has resulted in many projects being evaluated on a partnership basis, thus maximising the benefit to the recipients."
(Head of Economic Development, Ynys Mon Isle of Anglesey Borough Council)
- (l) "AIG [has] facilitated a number of investment projects that otherwise would not have been possible, or which would have been much smaller or under capitalised."
(Senior Projects Officer, Caerphilly County Borough Council)
- (m) "...time-consuming scheme that reinforces the grant mentality existing in Wales...particularly relevant at the lower end ...where local authority schemes previously dominated.....enable local authorities in Objective 1 areas to maximise the potential of EU funding whilst still working in full partnership with AIG staff, ie flexible bottom limit for areas where, currently, grant schemes exist that could provide support above £5,000."
(Head of Economic Development, Torfaen County Borough Council)
- (n) "...[don't fully know] which businesses are benefiting from AIG assistance...particularly useful in contributing towards the costs of more labour intensive service industries, that previously could only get assistance towards capital expenditure...rewarding businesses that offer good rates of pay, making a bigger contribution to the local economy...more could be done to co-ordinate assistance with other business support agencies. This has been successfully achieved at local area Business Connect (Gateway) meetings, which are regularly attended by WDA, enterprise agencies, ELWa, local authorities and IT Support staff. Clients' cases are discussed within a confidential environment. National Assembly representatives rarely attend such meetings and when they have, do not have details of clients in the relevant area. AIG applicants may be missing out on valuable additional help from other providers."
(Business Services Manager, Newport City Council)
- (o) ".... the significance of the scheme to the economic development is difficult for [local authority officers] to fully ascertain....Useful data might include for example:
- the number of applicants
 - the number of successful applicants

- the average level of contribution made by WAG
- the overall collective contribution made by WAG
- the proportionality of AIG grant uptake by area

“...cases where AIG support is known to have been given to companies within Blaenau Gwent suggest that the initiative [has] a highly significant part to play in supporting private sector development and expansion projects where capital costs of up to around £100/200kTurn applications round even quicker. Formalise a means of disseminating information and statistics relating to the grant (a Website link, perhaps?), formalise close liaison between the WAG team and Local Authority level officers...”
(Blaenau Gwent County Borough Council)

- (p) “...no obligation to show that, without the capital investment, jobs would be lost or that the present workforce will...benefit from the...grant.....without such information, it is not possible to assess whether any improved competitiveness and associated enhancement in profitability will provide value for money to an area other than to the business owners.”

“When comparing government expenditure withjob creation, a comparison of the salary value of the newly created jobs is required....available statistics indicate AIG offers made for the year from 1 April 2002 to 31 March 2003....that the National Assembly has paid out over £12million to create 654 jobs, bringing the average cost per job to around £18,000. Without comparison of the salary value of these jobs, an assessment is difficult, but this could be regarded as a high average cost per job. However, if the additional 1,510 maintained jobs are included in the comparison, this cost is reduced to approximately £5,500 per job, a significantly lower sum.....in arriving at this latter figure it is necessary to assume that all of the maintained jobs would have otherwise been lost to Wales.there is no evidence to support this hypothesis or to show how many jobs would have remained without the grants having been awarded.it is difficult to make any accurate assessment of the Value for Money resulting from the AIG scheme.”
(Cardiff Chamber of Commerce)

- (q) “....does offer true “support”can allow a firm to move quickly from one investment to another i.e. when one AIG is completed, the firm can, if they so wish, utilise it again for a separate project.....a very straightforward application process....a very proactive, and forthcoming approach....they are not observing (timescales), nor have they done since its inception for what seems to be a resource issue at Penllergaer...staff in Penllergaer all are very approachable and helpful in any [AIG]case that we have taken to them..... AIG is invaluable to us as investments are becoming more difficult to undertake and confidence in doing so is very low, the AIG does allow firms to have some comfort in their investment.”
(Carmarthenshire County Council)

- (q) “...big problem with AIG is demonstrating need. We appreciate that the basis of the Grant is that the Applicant must need the money and projects would not go ahead without it. This is very subjective. If there are sound established companies, better criteria may be used such as percentage put forward by the Company being matched by a similar grant from the AIG.”
(Institute of Chartered Accountants)

- (r) “The take-up....in Cardiff....has proved the scheme to be a success, although it is apparent that there is still a lack of awareness among SMEs of the scheme.”
(Deputy Leader(Enterprise and Resources) Cardiff County Council)

Q3. What would be the impact if AIG were discontinued?

- (a) “...projects could fall in the gap between local authority grant schemes and RSA damage the credibility of WAG and all business support...vacuum that local authorities would seek to fill, no doubt with Objective 1 funding and lead to disparities in financial support to lose it would be damaging, particularly in deprived Valleys areas.”
“Less job creation, more of a reduction to small inward investment programmes. Indigenous projects would be staggered. Fewer start up businesses.”
“A lot of SMEs would probably defer their projects in the short term.”
(WDA S E Wales Business Support Executives)
- (b) “...slow down in capital investment especially in the Objective 1 areas...Companies.... encouraged by ...the grants to be more ambitious and further their plans more quickly.”
(A self employed accountant in North Wales who has prepared 5 AIG applications)
- (c) “..... up to the introduction of AIG, we had operated a grant scheme that offered support of up to £10,000. This scheme was capped at £5,000 when AIG was introduced. we would revert to our original scheme criteria.”
(Head of Economic Development, Torfaen County Borough Council)
- (d) “..... likely to cause a reduction in investment and job creation in SMEs across Wales, with negative impacts on competitiveness, unemployment and GDP.”
(Business Services Manager, Newport City Council)
- (e) “...gap in grants up to £50,000... Local Authorities may be able to partially fill the gap although this is likely to mean the same resources being stretched further.”
(Head of Economic Development, Bridgend County Borough Council)
- (f) “Limited, given the current take up.”
(Chief Economic Development Officer, Wrexham County Borough Council)
- (g) “..... confusion among the business community. Business Eye personnel are also sign-posting ... We need to have a period of stability in the business support area. .. [if abolished] we would wish to see the local authority grants expanded to fill the gap.”
(Head of Economic Development, Ynys Mon Isle of Anglesey County Council)
- (h) “...would reintroduce the “funding gap” that AIG has removed.. pressure on our grants has reduced. This has freed resources to provide a wider range of support (below the £5000 threshold) to local businesses and to offer more useful levels of support.”
(Blaenau Gwent CBC)
- (i) “...there would be a void in the support structure for SMEs that local authorities would not be able to fill, unless additional financial resources were made available.”
(Deputy Leader (Enterprise and Transport) Cardiff County Council)

Q4. Should AIG be changed in the way it operates?

- (a) “..... a fresh clarification of how the scheme works and what is and what is not eligible. it should be targeted more at [small] businesses.”
“..... ensure that companies applying for AIG are in contact either with a WDA Account Manager or LA Account Manager, so they are aware of the full package of support available to them – perhaps a requirement for a letter of recommendation..?”.
“Perhaps a simpler process could be introduced for grants levels of £5k - £10k.”
“Level of support for SMEs in non assisted areas needs to be increased where possible, particularly in the more rural areas. A 7.5% or 15% grant is often not sufficient incentive to company to encourage them to go for new investment.”
“Greater emphasis on assisting successful companies.”
(WDA S E Wales Business Support Executives)
- (b) “.....the minimum grant awarded by the AIG should be £15,001.”
“Information sharing between AIG and the Council could also be beneficial in identifying potential fraudulent claims being made by certain applicants, as this could highlight potential problems with applicants to Rhondda Cynon Taf Business Support grant schemes. A meeting has already been held on 23 October between the Council and the Welsh Assembly Government AIG administration, to begin to discuss such issues. Ongoing meetings to further address these issues are to be programmed.”
“.... [AIG]not used to attract European Match Funding. the public purse is not being utilised to its best advantage to maximise the funding support towards...businesses...”
“Communication and liaison between the Assembly and other Business Support organisations could be improved, with particular reference to sharing knowledge and experience regarding the businesses that are seeking and are securing investment support...Welsh Assembly Government AIG administration could form part of [the Business Eye network.”
“The Local Authority has built up a strong relationship with local SMEs to learn of ongoing business and investment plans and provide an ability to enable ongoing support to be targeted....little if any face to face contact between the AIG... and businesses seeking grant support such opportunity is being lost.”
“The Council is willing....to deliver the AIG to SMEs in Rhondda Cynon Taf.”
(Director of Development and Regeneration, Rhondda Cynon Taf)
- (c) “[This Council]...may not be aware of a company’s bid and thus cannot liaise with the company to review its operations and enhance growth by putting together a comprehensive support package...an even simpler scheme to cover up to say £15k or £20k, or devolve responsibility to local authorities [for] support up to these levels.”
(Head of Economic Development, Torfaen County Borough Council)
- (d) “Local Authorities ...could efficiently deliver this scheme... more clients could be visited prior to application as despite the simplified procedure, many still don’t know what is expected of them on the application form.”
(Business Services Manager, Newport City Council)
- (f) “..... focus on cases above £10,000 and more customer or demand led.
..... case for targeting businesses with growth potential and certain niche areas.”

(Head of Economic Development, Bridgend County Borough Council)

- (g) “.....unclear why the intervention rates of 7.5% and 15% are set for firms in Wrexham and why the de-minimis rule does not seem to apply.”

(Chief Economic Development Officer, Wrexham County Borough Council)

- (h) “...closer working relationships and feedback on both the acceptance and the rejection of AIG applications...understanding on how AIG fits in relation to the basket of grants currently provided by local Government, the WDA and the Assembly...little or perhaps no effective understanding with regards to the role of the Assembly Investment Grant in Ceredigion, the perception is that the grant is targeted exclusively at manufacturing industries ...consider widening the eligibility criteria to include other sectors.”

(Assistant Director, Economic Development and Tourism, Ceredigion County Council)

- (i) “...initially thought that LAs would have a more direct role in providing a first line “filter” for the AIG.....could be considered in the future.”

(Head of Economic Development, Ynys Mon Isle of Anglesey County Council)

- (j) “[In relation to] applicants who do not take advice.... such applicants can be less clear about what is required from them and consequently may not always have a happy experience or not receive the support they might otherwise have expected.”

“.....more effective marketing by the WAG.”

“...make it clearer in supporting literature and advice what is required from applicants in terms of supporting information and literature. For example, many are unaware that *pro forma* ...spreadsheets are available...Many new companies, without a track record on which decisions can be partly based, may be unaware of any additional information that may be useful to understand and support their case.”

(Senior Projects Officer, Caerphilly County Borough Council)

- (j) “...some consideration could be given for small projects to commence prior to the offer being received.... small businesses need to react quickly and delays can often compromise any expansion programme. they would have to accept the risk element should be grant be refused at some later stage...”

(Business Development Manager, Flintshire County Council)

- (l) “....application processing time of 20 working days should be extended...creating a more realistic timescale, and one in line with current experience.”

“.....the red tape involved in this scheme is burdensome for SMEs.For applications at the lower end of the range, the requirement to provide complex information may preclude applicants from applying, as the benefit obtained versus the cost of applying may not be significant enough. ...the complexity of such applications has led to a ‘grants industry’.

“.....suitable training and experience [should] be provided to AIG staff in order to prevent delays in decision making...”

(Cardiff Chamber of Commerce)

- (n) “....firms move far quicker than the Assembly...Every AIG that we have been party to in the last 18 months has seen the businesses encounter a problem as a result of the time

taken by the Assembly....there does seem to be insistence by the Assembly on forcing the firm to seek more and more debt.....they have to be seen as funders of last resort, however they are consistently seeking new and additional forms of finance of (99% of the time it is borrowed finance) to syndicate with the AIG. Existing overdraft facilities and the firms' own cash resources are not seen as adequate...defeats the object of offering the incentive – yes the firm would receive “free money” in return however it has had to increase its borrowings to do so directly affecting its profit margins.”

“Bargaining...is a relatively new and worrying issue.....as though the Assembly are negotiating down their offers, with little or no reasoning..... It may be [AIG is] overspending, however if demand is such then they should surely meet it and furthermore encourage it.”

(Carmarthenshire County Council)

- (o) “If the threshold ...was raised to say £10,001, this would have an impact on local authorities, who would have real difficulties in finding the additional resources to maintain the existing level of support.”

(Deputy Leader(Enterprise and Transport) Cardiff County Council)

- (p) “Our clients report that they find the application process to be refreshingly clear, straightforward and fairly speedy.....the officers in the AIG section are very responsive and will always endeavour to help...clients through the process....eligibility criteria [should] be described in more detail with reasons for non-eligibility more clearly explained.”

(Cardiff Business Eye Centre)

Q5. How does AIG compare with other, comparable schemes?

- (a) “Accessible..understandable...releases the pressure on Local Authority Grant Schemes.”
“.....companies have to pay consultants to prepare the applications because of the amount of info required and this is just feeding the consultants.”
(WDA S E Wales Business Support Executives)
- (b) “...the Assembly...sponsors [the Processing and Marketing Grants Scheme] and sanctions final approval but WDA deals with the clients and the application process, a modus operandi which could be applied to AIG..... a better rate than PMG in certain areas and is therefore offered to food processing companies.”
(WDA)
- (c) “...simpler... able to complete the application without any outside assistance.”
(Successful North Wales applicant)
- (d) “...gap filler between our grants and RSA....resulted in our scheme (European funded) not achieving the spend profile anticipated, or the outcomes.....the result has been less jobs created in total and reduced private sector funding levered in.”
(Head of Economic Development, Torfaen County Borough Council)
- (d) “..... simpler, less bureaucratic and more competently administered than Finance Wales loan schemes.”
(Business Services Manager, Newport City Council)
- (f) “..... a good grant lost in a very disorganised and fragmented grants system.”
(Welsh Policy Development Officer, Federation of Small Businesses)
- (g) “.. more complicated than...local authority schemes..administration is more remote...lengthy timescales for ...AIG applications and decision making... inconsistent.”
(Head of Economic Development, Bridgend County Borough Council)
- (i) “Favourable although no regard...paid to the involvement of local Enterprise Agencies....in forwarding Registration of Interest on behalf of clients ...we receive not even an acknowledgement.”
(Business Adviser, Conwy Enterprise Agency)
- (i) “.... grant schemes run by the Council with locally based business advisors have far greater take up. Maybe the “personal touch” is an advantage.”
(Chief Economic Development Officer, Wrexham County Borough Council)
- (j) “LA schemes can be made available to companies with an existing and/or potential local market; this is ineligible within AIG remit. Otherwise schemes are very similar – although now at a different level of financial support.”
(Head of Economic Development, Ynys Mon Isle of Anglesey County Council)
- (k) “..... the only decisions on funding that are made more quickly and with less bureaucracy are our own!..... companies that have accessed AIG are surprised and

delighted by the support they receive and the processes involved.”
(Senior Projects Officer, Caerphilly County Borough Council)

Q6. Is there an effective understanding between the Welsh Assembly Government and your organisation (or your strategic partners, constituents or customers) about the role of AIG?

(a) “Some are unaware of its existence and feedback of who has applied or received should be passed back to Account Managers.”
“...a re-education as to the criteria surrounding the scheme is imperative.....”
(WDA S E Wales Business Support Executives)

(b) “...limited feedback on referrals made [and their success] ...difficult to evaluate the impact of the AIG ...needs to be greater liaison between AIG and the Local Authority,it would be useful to have a list of applicants in the Rhondda Cynon Taf area who are being supported by AIG, as well as those applicants that are unsuccessful.”
(Rhondda Cynon Taf)

(c) “...‘grant of last resort’ principle not always appreciated by the applicants.....This can leave many businesses with no margin of safety and, therefore, the ‘grant of VERY last resort stipulation’ can in reality have an adverse effect on business sustainability.”

“Many applicants successful in gaining AIG have then gone on to....other.. business support, including those available from the Agency, e.g. efficiency improvements and cost reductions, and Finance Wales investing in businesses alongside the AIG support.”

“...scope for improving communications...Proactive notification of applicants to the Agency would be beneficial...the mechanism is supposed to be simple, establishment of the grant rate (cashflow needs) is complex,....clients missing out on maximising grant and some possibly failing due to poor communication.”
(WDA)

(d) “All my staff are fully aware of the role of AIG...a good working relationship with the AIG staff at all levels.”
(Head of Economic Development, Torfaen County Borough Council)

(e) “Yes, but more co-ordination necessary. More information is necessary on AIG applicants and recipients to form full judgement.
(Business Services Manager, Newport County Council)

(f) “We welcome the introduction of *Business Eye*. It has much work to do in solving the problems that previously plagued its predecessor *Business Connect* and will have to work hard to allay the fears and doubts of the SME sector that have grown up in reaction to these problems. However it is not easy to see how the AIG can be operated to its full potential if such problems are not eradicated.”

“...among those giving advice on grant funding there is very little comprehensive knowledge of the AIG as a product.”

“..... Assembly-backed business advisors and relevant Government agencies should be more proactive in promoting what is essentially one of the better sources of small business finance.”
(Welsh Policy Development Officer, Federation of Small Businesses)

- (g) “Yes”
(Chief Economic Development Officer, Wrexham County Borough Council)
- (h) “....effective understanding but we are concerned that demand for our grants has dropped because we have had to reduce the maximum grant to £5,000 in most cases.”
(Head of Economic Development, Bridgend County Borough Council)
- (i) “...more use could be made of Enterprise Agencies, such as ourselves, in assisting the formatting of applications to the Assembly Office.”
(Business Adviser, Conwy Enterprise Agency)
- (j) “...little consultation with local government in the early stages...resulted in....clearly duplicating what is already being delivered in many local areas....[lift] the cap set for AIG to £10,001...local delivery..... more effective communication between AIG and Council officers to ensure thatthe local impact of the scheme is monitored.”
(Economic Development Officer, Merthyr Tydfil County Borough Council)
- (k) “Excellent relationship exists with the Case Team at South West Wales office...to ensure a more rapid response to applications further resources may be required in order to meet target times in handling applications.”
(Business Services Manager, Neath Port Talbot County Borough Council)
- (l) “...an effective working relationship with the Welsh Assembly Government ...as a result.. the programme has run relatively successfully in North East Wales.... there are a number of ways in which the scheme could operate more effectively:
- Small businesses should only need to provide twelve month financials, any more than that cannot be realistic and really proves very little. The cost of obtaining financials can also be a significant proportion of the grant.
 - The appraisal time for application needs to be improved. Possibly one way would be for the smaller grants....being administered by the Local Authority.
 - One level of grant...would streamline the system and give a clearer understanding.”
- (Business Development Manager, Flintshire County Council)
- (m) “...liaison...not sufficient. AIG offers businesses a means of directly accessing...money for projects without ensuring that the full range of aspects(positive and negative)... involved have been vetted and evaluated by a suitably trained business advisor.... An alternative approach could be for Blaenau Gwent’s Officers *to administer AIG on behalf of WAG* (as is the case with the WDA’s Town Improvement Programme, for example).....This partnership approach between the LA, WAG and the private sector would doubtlessly prove to be mutually beneficial for all parties involved, over time.”
(Blaenau Gwent County Borough Council)
- (n) “AIG integrates fully with, and complements, the range of financial support schemes available from the Council.”
(Deputy Leader(Enterprise and Transport) Cardiff County Council)
- (o) “....changes(even in emphasis) should be relayed to support providers [asap].....”
(Cardiff Business Eye Centre)

Q7. To what extent do the AIG’s aims and objectives reflect the guiding themes and values of the National Assembly – for example, in advancing sustainable development; tackling social disadvantage; equal opportunities; acting strategically; working in partnership; or being inclusive?

(a) “Apart from working in partnership, I don’t think AIG reflects any of the above..... simply a tool to encourage investment by SMEs ... ”

“...a major impact on the above objectives [by] creating quality jobs in deprived areas.”
(Two different WDA S E Wales Business Support Executives)

(c) “...it is stated (on the web site that specifies details of AIG) that “*the extent to which the project is environmentally sustainable*” is one of the factors that will be taken into account in deciding whether to approve a grant. However ...:

- ..no “box” within the Registration of Interest form ..[for] details on this issue;
-7 bullet points.. “information we’ll need” exclude....degree to which the project is environmentally sustainable;
- no guidance...how [applicants]might integrate environmentally sustainable issues....

“...applicants should be sign-posted to the...Government’s Business and Environment Action Plan....(<http://www.businessenvironment.wales.gov.uk/>).... This will make applicants aware of the wide range of services and expertise that is available to them.

- [Forms]... should include...a question such as “to what extent, and how, is your project environmentally sustainable?”;
- Further information...as part of the “information we’ll need” section of ... web-site;
- Most importantly, ...guidance...for ...applicants indicating the priority [of] environmental issues that[in applications].a good start...[for] such guidance ... is... in the Objective 1 guidance on environmental sustainability, especially those measures concerned with business support. The web-site reference is:
<http://www.wefo.wales.gov.uk/newprogs/objective1/obj1-enviroguide/index.htm>

..such guidance [should stress]... environmental priorities for businesses...[and] include:

- The need to reduce CO₂ emissions.....;
- ...waste-related targets, to help meet the Welsh Assembly Government’s commitments set out in its waste strategy;
- [reflecting] the Government’s strategy on sustainable production and consumption.....(web site: <http://www.dti.gov.uk/sustainability/scp/index.htm>).”
(Countryside Council for Wales)

(d) “Tackling Social Disadvantage is difficult to assess without details of companies and support provided. The meeting of Assembly objectives could be improved by greater information sharing between the AIG office and local authorities to ensure comprehensive, ongoing support.”
(Head of Economic Development, Torfaen County Borough Council)

(e) “Weak on partnership working Need to attend local area meetings.”
(Business Services Manager, Newport City Council)

- (f) “More information would be helpful on the details of grants given to gauge the degree to which they are contributing to key policy areas....There is room to improve working arrangements with partners, for example, in exchanging details of businesses supported.

Extending AIG to support community enterprises and social inclusion would help reinforce other initiatives to help disadvantaged areas and groups. However, it is important not to...under-resource mainstream activities which are likely to have greater potential in relation to job creation, long term sustainability and in transforming the local economy.”

(Head of Economic Development, Bridgend County Borough Council)

- (g) “In an area [Conwy] where employment and incomes are dependent to a large extent on businesses excluded from consideration under the Scheme many of the issues referred to are not entirely being addressed or assisted under the present AIG Scheme terms.”

(Business Adviser, Conwy Enterprise Agency)

- (h) “In addressing issues of sustainability the strength of management and quality of workforce needs to be taken into consideration to ensure that structures are in place to support new investment.”

(Business Services Manager, Neath Port Talbot County Borough Council)

- (i) “As a condition of the grant...companies should have equal opportunities policies, health and safety policies, etc. and have employees with contracts of employment.

....in Wrexham businesses tend not to be located in deprived communities and other programmes such as Communities First are better focused.”

(Chief Economic Development Officer, Wrexham County Borough Council)

- (j)support can lead to the dependency of businesses on such grants. However since access to such support should now become even more direct through the development of Business Eye it does offer greater opportunity to a wide range of sectors/business types, ie Social Enterprises.”

(Head of Economic Development, Ynys Mon Isle of Anglesey Borough Council)

- (k) “...understanding between our team members and the AIG/RSA team...regular telephone contact, and occasional face-to-face contact...I would like to take this opportunity to acknowledge the helpfulness and professionalism of the AIG team.”

(Senior Projects Officer, Caerphilly County Borough Council)

- (l) “... number of areas...lack clarity...difficult to assess its value for money, efficiency and effectiveness and applicability of the Assembly's principles of sustainability[etc]...”

“ The Chamber supports the application of sustainability by requiring and reviewing short terms forecasts to ensure the viability of the business should the grant be awarded. Thus, the grant should only be awarded to those businesses that are capable of sustaining and improving their competitiveness.”

“The overriding principle on which the grant should be awarded is improved competitiveness and current application procedures do not support this.”.

(Cardiff Chamber of Commerce)

Q8. Should the AIG Scheme's aims and objectives be changed in any way to better reflect these themes?

(a) "Except for one, no. With regard to AIG and RSA, favourable consideration should be given to projects which prove to be sustainable and environmentally sound."
(WDA S E Wales Business Support Executive)

(b) "...AIG should be viewed in an overall context, with applicants being encouraged to explore all available sources of finance such as debt finance, (particularly when this can be serviced by the business), demand for which can be constrained by the availability of other cheaper forms of finance, i.e. grants, a situation regularly experienced by Finance Wales. AIG should not compete with loans, but can operate as an incentive to lever in loan finance and, therefore, encourage greater private sector activity in the market and recycling of monies."

"...the promise of a 20 day turnaround of applications has not always been met.....WAG are perceived as 'buying time' by asking for further information, thus resetting the clock. There is an immediate issue about the level of resources available to process applications within the stated timetable."

"...there are some concerns about the level of detail required from applicants.....More recent cases appear to require almost the same level of detail as a full RSA case application. This may, at least in part, be due to a number of poorer quality submissions, especially from smaller SMEs who perhaps lack the expertise required to 'hit the right buttons'. Hopefully the General Business Advisory Service (GBAS) will provide appropriate levels of support to such businesses. There is anecdotal evidence suggesting that some private sector business advisers do not have a good understanding of the scheme and further 1:1 training of them should be considered."
(WDA)

(c) "..... sustainability could be improved by review of the scheme along the lines of grant: repayable grant to reduce the grant culture endemic in Wales."
(Head of Economic Development, Torfaen County Borough Council)

(d) "Partnership with local area support agencies should be more of a priority."
(Business Services Manager, Newport City Council)

(e) "...greater scope to support niche activities but the bedrock should remain with potential growth businesses and quality sustainable jobs."
(Head of Economic Development, Bridgend County Borough Council)

(f) "...balance between ensuring that conditions are attached to target the grant effectively, against making it even more bureaucratic [in perceptions] than it is to access."
(Chief Economic Development Officer, Wrexham County Borough Council)

(g) "... 'sustainable development' ... a stronger emphasis on the 'environmental' crosscutting theme may be needed....[Require that]energy efficiency, use of recyclates properly considered.....as part of the project wherever a 'greener' option is available."
(Blaenau Gwent County Borough Council)

Q9. Does the AIG Scheme need different flexibilities to improve its deliver? If so, how might they be achieved while not weakening the overall accountability of its expenditure?

(a) “Not flexible enough.”

“No, we need to protect the integrity of the scheme.”

“...the market requires a re-education of the scheme’s aim and objectives, its priorities and criteria and the information required....perhaps the scheme needs to be better resourced both in terms of budget and human resource.”

“It is becoming increasingly difficult for new start up companies to gain bridging loans. ...beneficial if.....more flexible to enable projects to proceed more efficiently.”

“Less paperwork and deliver a decision within the 20 day promise time.”
(WDA S E Wales Business Support Executive)

(b) “When... a company wishes to fund a project there does not seem to be the mechanism to combine the different organisations to work together to play their parts in the scheme.a company wishes to carry out a project and approaches Finance Wales to possibly fund it. As a “GAP” finance organisation they look to another finance house to provide some of the finance as well as the company itself. If the bank will not for whatever reason support the project then Finance Wales may still like the project and encourage the company to go for a AIG. Finance Wales then step back whilst the company makes its application to the Welsh Assembly to await the requirement after a decision has been made upon the application. Surely the two organisations could work together on this project, by working in isolation it makes it very complicated for the Welsh company to understand whether it has support or not!”

“...in the 1st 6 monthsan application actually took months rather than days.”

“.....it certainly acts as a major factor in future planning. “
(Self employed accountant, North Wales)

(c) “...accountability has to be maintained to prevent the scheme being abused....AIG has found the correct level of flexibility whilst also achieving accountability.”
(Successful North Wales applicant)

(d) “Greater partnership working between AIG and local authority staff. Possible options:

- Enquiry into WAG – copy to LA or Local Gateway.
- LA work with company reviewing options
- WAG confirm grant or not – information LA
- LA work with company to maximise opportunities.

(Head of Economic Development, Torfaen County Borough Council)

(e) “.... the method of payment should if possible avoid the need for bridging finance from banks which is always a difficult area. It is suggested that the Assembly adopt the Local Authority payment method, ie on acceptance of grant offer the grant is paid in full to the company with evidence of proper expenditure within a defined period.”
(Head of Economic Development, Bridgend County Borough Council)

- (f) “Initially problems at the Assembly office in meeting decision guideline timing had an impact in that we received complaints about delays in responses from the Assembly office but these have now been resolved.”
(Business Adviser, Conwy Enterprise Agency)
- (g) “The scheme needs to be fully resourced by the Assembly on a long-term basis so that good projects are not turned down because of any lack of funds.....WAG needs to identify all issues and problems at an early stage rather than keep on coming back with follow up queries causing further delay.”
(Business Services Manager, Neath Port Talbot County Borough Council)
- (h) “...meetings with applicants to get greater understanding of their businesses as issues may come to light that don’t appear in a registration of interest or application form.”
(Business Services Manager, Newport City Council)
- (i) “...payment up front of part of the grant or in making stage payments in order to assist cash strapped businesses.”
- “Advisers should be encouraged to spend time in the local WAG office to see the problems being encountered.”
- “The new guidelines recently circulated are now much clearer on definitions.”
(Business Services Manager, Neath Port Talbot County Borough Council)
- (j) “Devolve the grant and budget to local authorities to deliver?”
(Chief Economic Development Officer, Wrexham County Borough Council)
- (k) “The development of local Business Eye centres offer an opportunity for part of the AIG mechanism to be offered at a more local level.”
- “In addition the creation of local partnership working groups should ensure that the AIG is promoted locally by all partners and wherever possible used in a partnership approach to match fund projects with other public sector funders. This may assist ‘all partners’ overcome certain ineligibility factors within their own schemes and become more flexible as a full package. Development of a web-based package should be explored to speed up delivery.”
- “..... the Assembly should consider the merits of devolving more responsibilities to the LA level for the AIG scheme and providing as much flexibility to address local needs as possible.”
(Head of Economic Development, Ynys Mon Isle of Anglesey County Council)
- (l) “.... greater dissemination of information and closer liaison with relevant officers at Local Authority level will both improve its delivery and profile and also strengthen its accountability in terms of expenditure of public monies.”
(Blaenau Gwent County Borough Council)

10. Other Comments

(a) “We often get involved situations, where a company is in Receivership and we have to respond quickly to the Receiver in order to protect the jobs. It would be very useful for me in these situations to have a nominated person to contact in each Region, so that a quick response can be prepared and a Grant approved and fast-tracked where appropriate.”
(Business Adviser, Wales Co-operative Centre Ltd)

(b) “..... there has been some difficulty caused by AIG in terms of its comparison to other schemes run by the County Borough and queries over duplication – particularly with its ‘Industrial Improvement Grant’ (IIG) scheme. as AIG has recently been ‘imposed’ upon Wales on a regional basis, its infancy suggests that it is itself therefore the ‘duplicator’ of any schemes that were previously running at a Local Authority level, not the other way around. Perhaps this demonstrates that more foresight should have been given at the design stage of the AIG initiative.”

“..... in accordance with responses that Blaenau Gwent CBC have forwarded to WEFO, it must be stressed that it is not felt that duplication exists in terms of the programmes currently being run by Blaenau Gwent. Whilst AIG is a very useful initiative, it cannot possibly be ‘all things to all people’, and hence the need for other programmes of support will continue to be necessary if the full range of business needs are to be met. An example of this may be seen relative to the stipulated AIG criterion that requires applicants to be SMEs from ‘manufacturing and some service sectors operating *beyond just the local market*’. Where small companies are successfully operating (and economically contributing) within a County Borough and satisfying a local demand (local builders yards and sawmills, for example), AIG might not be attainable.”

“The prospect of Blaenau Gwent CBC’s Business Support Programmes [including Industrial Improvement Grant, Commercial Improvement Grant, Kickstart Grant and Economic Development Grant] each of which meets local needs being undermined by AIG is a serious concern. It is hoped that a better understanding of how the regimes *complement* each other, rather than duplicate each other, will be understood and accepted by the AIG programme administrators and other interested parties (eg WEFO) as an outcome of this consultation exercise.”
(Blaenau Gwent County Borough Council)

List of those responding to consultation letter.

Business Adviser	Conwy Enterprise Agency
Business Services Manager	Neath Port Talbot County Borough Council
Policy Officer	Cardiff Chamber of Commerce
Welsh Policy Development Officer	Federation of Small Businesses Wales
Business Advisor	Wales Co-operative Centre Ltd
Chief Executive	Community Enterprise Wales
Senior Economist	Countryside Council for Wales
Policy Officer	Welsh Local Government Association
	Business Connect Wales Ltd
Wales Manager	Institute of Chartered Accountants in Eng & Wales
Business Environment Co-ordinator	Blaenau Gwent County Borough Council
Head of Economic Development	Bridgend County Borough Council
Senior Projects Officer	Caerphilly County Borough Council
Asst Director, Economic Devpmt and Tourism	Ceredigion County Council
Business Development Manager	Flintshire County Council
Economic Development Officer	Merthyr Tydfil County Borough Council
Director of Regeneration	Carmarthenshire County Council
Business Services Manager	Newport City Council
Chief Economic Development Officer	Wrexham County Borough Council
Head of Economic Development	Ynys Mon Isle of Anglesey Co Borough Council
Head of Economic Development	Torfaen County Borough Council
Director of Development and Regeneration	Rhondda Cynon Taf County Borough Council
Successful Applicant	MD of a North Wales company
Chartered Accountant	Private sector accountancy firm
Executive Director, Strategy Development	WDA HQ
Self Employed Accountant	North Wales
Senior Account Manager	WDA SE Wales
Advisers	Business Eye: Cardiff
Principal Economic Development Officer	Bridgend County Borough Council
Deputy Leader(Enterprise and Transport)	Cardiff County Council
A local authority economic development officer	(writing in personal capacity)

AIG 6 MONTHLY QUESTIONNAIRES

1. The table below summarises the main results of the first two 6 monthly surveys of applicants.

	Early 2003	July 2003
No. of Respondents (Number Successful)	56	100
% Successful	89%	98%
Ease of registration of Interest Form	92% Easy or Very Easy 8% Difficult or very difficult	93% Easy or Very Easy 7% Difficult or Very Difficult
Ease of completion of Application Form	72% Easy or Very Easy 28% Difficult or Very Difficult	82% Easy or Very Easy 18% Difficult or Very Difficult
Speed of response to ROI	Average – 10 days 8% thought this was slow or very slow	Average – 12 days 15% thought this was slow or very slow
Speed of decision on application form	Average – 36 days (range 5-92 days) 43% thought this was slow or very slow	Average – nearly 54 days (range 10-426) 37% thought this was slow or very slow
Speed of Payments	11% thought slow or very slow	30% thought slow or very slow
Gender of respondents	Not asked	21% Female
Ethnic Group of Respondents	Not asked	9% other than white

How Respondents Heard about AIG

	Early 2003	July 2003
WDA	8	18
Accountants/Business Advisors/Auditors	8	15
Venture Wales	3	10
Word of Mouth	2	10
Local Authority	5	9
Business Connect	5	7
Press Articles	4	5
Welsh Assembly Government/Minister/Member	8	4
Enterprise Agency	2	4
Internet Site	1	3
Bank	-	2

All other sources mentioned by a maximum of one per survey.

2. Comments were also invited on a number of issues. Taking both surveys together, some quotations from responses are listed below.

- (a) **What could have been done better to have helped unsuccessful applicants realise earlier that your project would not qualify for AIG assistance?**
- (i) ‘Provide an explanation of means testing.’
 - (ii) ‘If companies are strong and do not need assistance, check last audited accounts rather than let company waste time and money filling forms etc.’
 - (iii) ‘Point out that money **had** to be put in from outside source – that profit would not count.’ (from someone who referred to having 2 meetings beforehand).
- (b) **How could the claims process for AIG be improved?**
- (i) ‘Ensure one case officer reviews the case promptly’ (an unsuccessful applicant)
 - (ii) ‘I would scrap it – that would help to reduce taxation. The cost of all those people who snoop into people’s business must be huge.’ (an unsuccessful applicant)
 - (iii) The successful applicants felt overall that the scheme was excellent. For example:
 - ‘This grant is so important and has meant so much to our business. We found the claim procedure much streamlined and your staff eager to please and meet their targets.’
 - ‘By streamlining the application and decision process and making a case officer available for interview – the AIG has played a major part in the launch of a start up company.’
 - ‘We have created 30 jobs in the last 22 months which we could not have achieved without AIG.’
 - ‘I cannot emphasise enough how beneficial this grant has been to our business. We are already creating long term, secure jobs as a result of this grant.’
 - ‘Ensure that your staff receive the praise, people are only too quick to criticise, please make sure they receive our thanks.’
 - ‘My only complaint was that an independent valuation of our investment was required after the claim and projections were submitted to you. It should have been specified as a requirement at the start of the application process and not as a late afterthought.’
 - ‘Most businesses don’t know what they can claim. Make grants more accessible to businesses/widely advertising.’
 - ‘This grant gave our business a big boost and enabled us to expand. The people I dealt with were very professional and helpful.’

‘Since being accepted for an AIG our business has rapidly expanded. We have moved premises, and staff numbers has exceeded our original application which projected 7 new members of staff by 2005. We have already employed 7 new members by August 2003. Without the grant we would not have been in business as we are a specialised field & equipment needed cannot be purchased by HP.’

‘It has encouraged me to put more personal investment in to the company as the government has put substantial commitment.’

‘We have not found it easy to access. BUT we are profoundly grateful it exists. For the transition from micro business to something larger it is invaluable.’

‘The start to finish – (from 1st application to receiving money) took something like 6 months – during which time the business could not progress.’

‘The time taken to realise the AIG nearly closed the business as other funding, loans, HP etc were dependant on AIG as it was part of the business plan. Would have preferred a low interest loan to be re-paid.’

‘The staff I dealt with were without exception extremely helpful and courteous, even though the system was rather difficult.’

‘Our dedicated case officer (who is so helpful) has made the process of filling in forms, explanation of actions etc very easy.’

‘We are a rapidly growing business – [named member of staff] has been extremely helpful and we feel that her earlier involvement would have been enormously beneficial and the business would have gained more impetus at an earlier stage.’

‘The forms are not totally clear, and neither was the offer letter. These were clarified in the face to face site meeting with [named member of staff].

‘I found this to be a very good scheme – providing assistance to a local, developing business. My only criticism is the total lack of publicity given to our grant award. I think this would benefit both our company and the Local Assembly.’

‘Not well advertised, other than that everything was acceptable.’

‘This is a superb scheme, long awaited. I firmly believe that the scheme must be extended and streamlined in favour of generic Welsh businesses and married with Objective 1 support schemes so that we can properly avail of this unique opportunity for the benefit of this and future generations.’

LIST OF THOSE WITH WHOM DISCUSSIONS WERE HELD

David Rosser	CBI Wales
Mike Beacall	MD, Essential Glass, Deeside Industrial Park
Grenville Jones	MD, Conwy Valley Meat, Llanrwst
Carey Lewis	Member, Federation of Small Businesses Wales
Ben Cottam	Policy Development Officer, Wales Federation of Small Businesses
James Trew	MD, Trewgates Ltd, Trefor, Gwynedd
Jeff Hodder	Business Adviser, Clay Shaw Thomas, Chartered Accountants, Bridgend
David Tatton	Flintshire County Council
Phil Cooper	Managing Director, Venture Wales
Ralph Bellamy	Venture Wales
Sha Siddiqui	Antur Dwyryd Llŷn
Lesley Kirkpatrick	Merthyr Tydfil Borough Council
Alan Driscoll	Welsh Development Agency
Mike Barcroft	WDA North Wales Business Support
Cheryl Whittaker	WDA Business Support Centre
Jan Howard	WDA Business Support Centre
Gareth Wyn Hughes	WDA Business Support Centre
Sheila Davies)	Rhondda Cynon Taf
Mark Price)	
Mark Jones	Broomfield and Alexander
Dave Gilbert	Carmarthenshire County Council
David Langford-Jones	WDA
Robert Foakes	South Wales Manager, Xenos
Mike Davies	Fund Manager, Finance Wales

Staff of the Welsh Assembly Government, including many members of Economic Development Department (including its Penllergaer and Colwyn Bay offices), economists in Economic Advice Division and Internal Audit Service.