

FINANCE COMMITTEE INQUIRY INTO ENTERPRISE ZONES

WRITTEN EVIDENCE FROM THE MINISTER FOR ECONOMY, SCIENCE AND TRANSPORT

1. Introduction

- 1.1 The purpose of this paper is to provide written evidence to inform the National Assembly for Wales Finance Committee's short inquiry into Enterprise Zones in Wales.
- 1.2 The paper provides a general introduction to Enterprise Zones and focuses in particular on the issues that the Finance Committee has highlighted in their Terms of Reference as of particular interest.
- 1.3 This includes information on resources; the specific financial and non-financial incentives available and outputs and outcomes, both actual and anticipated. In setting out this information, the paper provides a high-level narrative that can help the Committee to better understand the progress that is being made in each of the seven Enterprise Zones.

2. The Enterprise Zones

- 2.1 In April 2012 the first five Enterprise Zone locations went live. These were joined by a further two Enterprise Zones in May 2012.
- 2.2 The Enterprise Zones are located in the following areas with the sector emphasis as specified:
 - Anglesey - Energy & Environment.
 - Central Cardiff - Financial & Professional Services.
 - Deeside - Advanced Materials & Manufacturing.
 - Ebbw Vale - Advanced Materials & Manufacturing.
 - Haven Waterway - Energy & Environment.
 - Snowdonia - Energy and Environment and ICT.
 - St. Athan - Cardiff Airport - Advanced Materials & Manufacturing.
- 2.3 Each area designated as an Enterprise Zone focuses on a key sector of the economy. This is because opportunity-based Enterprise Zones around specific locations, activities and key sectors enable a strategic fit with our broader sectoral approach to the economy. This also assists with the alignment of interventions to maximise the benefits both within and outside of the immediate Enterprise Zone boundaries.
- 2.4 Each Enterprise Zone has a Board to provide advice on the strategic vision and priorities required to support growth and jobs in each Zone.
- 2.5 All seven Enterprise Zones Boards have been fully operational since Autumn 2012. Officials continue to work with the Boards to develop a consistent and

effective approach to marketing the Zones and on the development and implementation of their strategic priorities.

3. Resources

- 3.1 There is a range of revenue and capital expenditure across Enterprise Zones on activities such as feasibility studies, site remediation and other capital works. Regular statements have been made which capture many of these developments, for example, the Business Rate Scheme, where expenditure totaled nearly £800,000 in last financial year.
- 3.2 However, the development of Enterprise Zones is not simply about additional resource but the alignment of existing resources from across the Welsh Government and local partners to create positive impacts within and beyond the Enterprise Zones.

4. Strategic Objectives for each of the Zones

- 4.1 The Enterprise Zone Boards have prepared strategic plans. These plans set out their vision and high level aims for each Enterprise Zone. They cover a range of issues such as infrastructure (for example road improvements, rail enhancements, site development, building investment etc), marketing, site boundaries and policies such as the Business Rate Scheme. The proposals within these plans have been subject to assessment and specific development options are being taken forward.

5. Incentives in Enterprise Zones

- 5.1 Enterprise Zones encompass financial and non-financial interventions and incentives that are intended to create positive impacts over the short, medium and long term.
- 5.2 A competitive range of business support incentives are available across Wales for existing and new-businesses. These are intended to create positive impacts over the short, medium and long term. They include economic development interventions such as inward investment assistance, access to finance, International trade advice and other forms of business support.
- 5.3 Additional incentives for Enterprise Zones include the roll out of Next Generation Broadband which has also been prioritised for Enterprise Zones, the Zone Business Rate Scheme already mentioned and Enhanced Capital Allowances which are available at specific sites within over half of the eligible Enterprise Zones - Deeside, Haven Waterway and Ebbw Vale. The maps of where ECAs will apply have been published.

6. Outputs and Outcomes

- 6.1 The desired long term impact of Enterprise Zones is to stimulate growth in the local economy and the creation and safeguarding of jobs; to act as a catalyst for growth elsewhere in Wales; to improve the attractiveness of the Enterprise Zones and Wales more generally for investors; and to strengthen the competitiveness of the Welsh economy.
- 6.2 Each Enterprise Zone faces distinctive opportunities and challenges in line with the economic, geographical and demographic circumstances presented at each location. The first twelve months have focused upon establishing the Enterprise Zones with a competitive offering of financial and other incentives.
- 6.3 Measuring the effectiveness of these incentives is important. Therefore, we need a sophisticated approach to measuring success which recognises the complexity of the economic development challenge. For example, in the current economic climate job retention is as important as job creation. In some zones, there is a number of activities required before businesses can consider investing, such as preparing sites and premises, addressing infrastructure issues and other preparatory work.
- 6.4 In addition, there will be positive impacts beyond the Enterprise Zone boundaries. Maximising and measuring these wider spill-over effects is as important as measuring what is happening within the actual boundaries of a Zone.
- 6.5 I expect to publish indicators by the end of this year and I am seeking the views of the Enterprise Zone Boards, as well as AMs, on what those indicators should be.