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Date	23 August 2016

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**REPORT TO:** Members' Library Service

**MEETING DATE:**

**BY:** Depute Chief Executive - Partnerships and  
Community Services

**SUBJECT:** Scottish Government Enterprise and Skills Review

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## **1 PURPOSE**

- 1.1 That Members note East Lothian Council's response to the Scottish Government Review of Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and the Scottish Funding Council.

## **2 RECOMMENDATIONS**

- 2.1 That Members note the contents of this report.

## **3 BACKGROUND**

- 3.1 The Government Economic Strategy sets out the approach to improving Scotland's levels of productivity, equality, sustainability and wellbeing, in particular with its focus on the 4 I's:
- a. **Investment** in people and infrastructure sustainably
  - b. Fostering **innovation** and research and development
  - c. Promoting **inclusive** growth and creating opportunity through fair and inclusive jobs market and regional cohesion
  - d. Promoting Scotland **internationally** to improve trade and investment, influence and networks
- 3.2 The call for evidence was announced in July 2016 and the review and subsequent recommendations will focus on achieving three main aims:
- a. **Achieving the Government's ambition as set out in Scotland's Economic Strategy and National Performance Framework** so that innovation, investment and internationalisation outcomes lead to a

significant improvement in economic performance and a more productive and inclusive economy.

- b. **Ensuring economic and skills interventions are shaped by users' needs** and the opportunities users can then create. The review will consider the needs of modern Scotland, including the many and diverse opportunities and challenges, and how local, regional and national approaches can best exploit and tackle them.
- c. **Ensuring that delivery continuously reflects best practice** in terms of effective outcomes, continuous improvement and optimising public value in the delivery, efficacy and effectiveness of interventions, and ensuring that it is flexible and fits with the evolving fiscal and regulatory landscape.

3.3 East Lothian Council has key strategic relationships with Scottish Enterprise and Skills Development Scotland in particular, both of which are represented on the East Lothian Partnership and on other Community Planning Partnership groups. Also, the delivery of Business Gateway and the establishment of East Lothian Works (multi-agency employability support for individuals and businesses) have enabled stronger engagement with these agencies and with the business community; comments on these interactions and engagement are reflected in the response.

3.4 The response from SLAED (Scottish Local Authorities Economic Development group), honed with input from Improvement Service, reflects the issues of the local government economic development service at a national level and the East Lothian Council response focuses on more local issues.

#### **4 POLICY IMPLICATIONS**

4.1 Opportunity to contribute to and influence the refreshed approach to local economic development.

#### **5 INTEGRATED IMPACT ASSESSMENT**

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

#### **6 RESOURCE IMPLICATIONS**

6.1 Financial – none

6.2 Personnel - none

6.3 Other - None

## **7 BACKGROUND PAPERS**

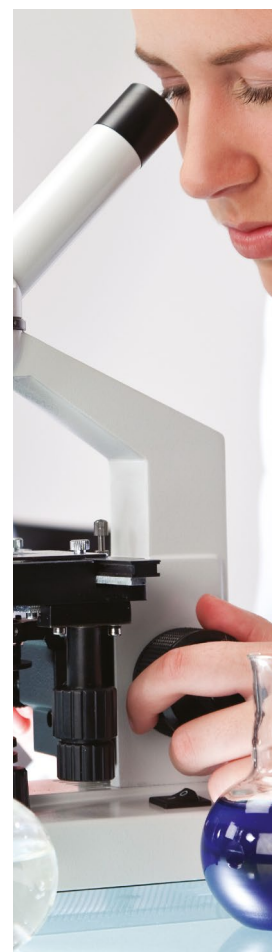
- 7.1 Scottish Government Enterprise and Skills Review, July 2016: Terms of reference
- 7.2 East Lothian Council response to Scottish Government Enterprise and Skills Review, August 2016
- 7.3 SLAED response to Scottish Government Enterprise and Skills Review, August 2016

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<b>DATE</b>	23 August 2016

# ENTERPRISE & SKILLS REVIEW

## CALL FOR EVIDENCE

JULY 2016



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## ENTERPRISE AND SKILLS REVIEW CALL FOR EVIDENCE



In her Priorities for Government speech on 25 May 2016, the First Minister announced an ‘end-to-end’ review of enterprise and skills services. Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland, and the Scottish Funding Council play an important role in delivering the Economic Strategy, supporting economic development in Scotland and enabling every individual to achieve their potential.

To enable the agencies to play a full role in supporting the delivery of the priorities in Scotland’s Economic Strategy, and to support individuals and businesses to succeed, it is important that they collaborate behind a clear and shared vision; have a common understanding of their roles, responsibilities, and what services and investments to prioritise; and use their skills and tools to respond confidently and flexibly to changing economic circumstances.

This Call for Evidence invites you to contribute your views so we can ensure that Scottish Government and all our public agencies are delivering the joined-up support that our young people, universities, colleges and businesses need.

A handwritten signature in black ink, appearing to be 'KB', with a wavy line underneath.

Keith Brown, MSP  
Economy Secretary

## Context

The Purpose of the Scottish Government is to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.

Scotland has a strong economy and is wealthy and productive. Our economy grew by 1.9% over 2015, in line with forecasts. Our GDP per head (excluding oil) is the highest in the UK after London and South East. We attracted more inward investment in 2015 than anywhere else in the UK outside London, and we have a labour market which has remained resilient following the 2008 financial crisis.

Our colleges and universities educate, build confidence, develop skills, encourage innovation and help drive the economic growth we need. Their contribution promotes Scotland's international standing as a competitive nation, based on the skills of our people and the quality of our ideas.

But the economic challenges are increasing. Scotland's international rankings show the challenges we face in matching our key competitors in productivity, innovating and exporting, improving our income inequality, and addressing key skills gaps and structural unemployment. The outcome of the EU Referendum has also generated volatility in financial markets and heightened economic uncertainty. At this point the full impact is uncertain, but over coming weeks we will start to understand more about the economic implications.

Scotland's Economic Strategy sets out the approach to achieving our national Purpose and the ambition for Scotland to rank in the top quartile of OECD nations for productivity, inequality, sustainability and wellbeing. The approach is based around the two mutually supportive goals of increasing competitiveness and tackling inequality. The strategy sets out four priority areas for supporting sustainable economic growth:

- **Investing** in our people and our infrastructure in a sustainable way;
- Fostering a culture of **innovation** and research and development;
- Promoting **inclusive growth** and creating opportunity through a fair and inclusive jobs market and regional cohesion;
- Promoting Scotland on the **international** stage to boost our trade and investment, influence and networks.

These priorities are underpinned by a number of the Scottish Government's key policies. Scotland also has a clear national performance framework; a common way of assessing whether we are meeting our ambition of increased economic growth and productivity and higher social inclusion. More information on how our policies link together and the way we measure our progress is at **Annex A**. **Annex B** outlines the wide range of functions that the agencies carry out.

## Terms of Reference and Approach

On 25 May the First Minister announced that the Scottish Government would carry out an end-to-end review to ensure that all of our public agencies are delivering the joined-up support that our young people, universities, colleges, training providers businesses and the workforce need. The review terms of reference were published on 15 June and these are attached at **Annex C**.

The three aims of the review might be summarised as:

- Building on the evidence of 'what works' and national and international benchmarking to achieve the step-change needed in Scotland's economic performance;
- Capturing the user journey and experience to understand what might be simplified and improved;
- Shaping which services should be prioritised and how they should best be organised and delivered.



In conducting this review, the Scottish Government will follow these principles:

- The review will be outcome-focused, and help us make a step-change in our economic performance and productivity;
- It will be evidence-based, open and transparent, with an opportunity for everyone with an interest to contribute;
- It will put service users at its heart and aim for increased clarity, ease of access and simplicity in a system of support designed to meet future challenges;
- It will be robust and independent of any individual organisation;
- It will benchmark nationally and internationally against best practice.

As ideas and options for the way ahead start to emerge, we will take into account that a good outcome needs to ensure:

- A common vision and performance framework for all to maximise economic growth and productivity and support more inclusive growth, with full geographical access.
- A modern system of support that is fit for the 21st century, simple and clear for users to access, supported by the right roles, services, skills and behaviours.
- Affordability - making the best use of all public resources, financial and other assets, to impact on outcomes, with funding matching priority services and flowing through the minimum number of levels and organisations to the user.

The review is being led by the Cabinet Secretary for Economy, Jobs and Fair Work on behalf of the Scottish Government. The Cabinet Secretary will be supported in his consideration by other Cabinet Secretaries and Ministers from relevant portfolios.

He will also be assisted by a Review Group of independent experts, who will meet at least three times during the review to provide a high level of informed debate and challenge, gather input and evidence including from their own networks, and to consider findings and agree strategic direction and next steps. Experts from the agencies themselves will assist Scottish Government as it considers the submitted evidence and other information and synthesises the outcome for the Review Group.

The Review will report in late summer 2016.

### Users

An end-to-end review starts with the experiences of all those who use or work in the Scottish system of support, whether as students, businesses, service providers, partners, or those who use the services provided by our Agencies or otherwise interact with them. We want to hear all views.

Some businesses or individuals may find they do not use public services much, if private providers or membership organisations meet their needs. Others may access more local than national services. Students or others in the skills system may be more aware of their relationship with a University, College or training provider, rather than the agencies themselves.

## Review questions

The Review will draw on existing published Scottish Government reviews and evidence. We are keen to understand all relevant evidence and experiences to decide how best to take forward those services funded and delivered through Scottish Government and our agencies.

Our vision is to make Scotland's economy one of the best in the world: to make a step-change in our economic growth, productivity and social inclusion; and for Scotland to rank in the top quartile of OECD countries for productivity, inequality, sustainability and wellbeing. We will achieve this through investing in our people and infrastructure; fostering a culture of innovation; boosting inclusive growth; and promoting Scotland on the international stage.

We welcome your views on any or all of the questions below.

### Personal experience

1. Have you had direct interaction with enterprise or skills advice or support?  
Y/N
2. Tell us briefly about your experience:
  - what were you trying to access?
  - through whom and when?
  - what was your experience?
  - what worked well and less well?
  - how did you find the quality, ease and speed of service?
  - what did you think of the cost or value of the service?
3. If you have not used such services can you outline why this is the case?

### Reflections on the system of support

4. What do you see as the strengths and weaknesses of the current approach?
5. What needs to change in the current system of support to make it simple and clear, and help us deliver Scotland's vision?

6. What are the right:
  - roles;
  - services;
  - skills; and
  - behaviours
 needed from our agencies to support this transformation?
7. How might we ensure this step-change reaches and benefits all of Scotland, building on regional and local strengths?
8. How would we know if the system is working better?
9. How might public resources be deployed most effectively to match priorities, deliver value for money, and flow through the minimum number of levels and organisations to the user?
10. Is there any other published evidence, or good practice, which you would particularly highlight that you wish us to take into account during the review?

Please provide any other relevant comments you may have.

You will also need to tell us about yourself  
- please see opposite.

### How to Respond

Please complete these questions on-line, before **15th August 2016**.

Alternatively, please send a written response, including the completed respondent information form, to [entandskillsreview@gov.scot](mailto:entandskillsreview@gov.scot), or to

Karl Reilly,  
Head of Coordination and Events,  
Economic Development Directorate,  
6th Floor Atlantic Quay,  
150 Broomielaw,  
Glasgow,  
G2 8LU.

## Response to Call for Evidence on the Scottish Government Enterprise and Skills Review



### RESPONDENT INFORMATION FORM

**Please Note** this form **must** be returned with your response.

Are you responding as an individual or an organisation?

- Individual
- Organisation

Full name or organisation's name

Phone number

Address

Postcode

Email

The Scottish Government would like your permission to publish your response. Please indicate your publishing preference:

- Publish response with name
- Publish response only (anonymous)
- Do not publish response

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this exercise?

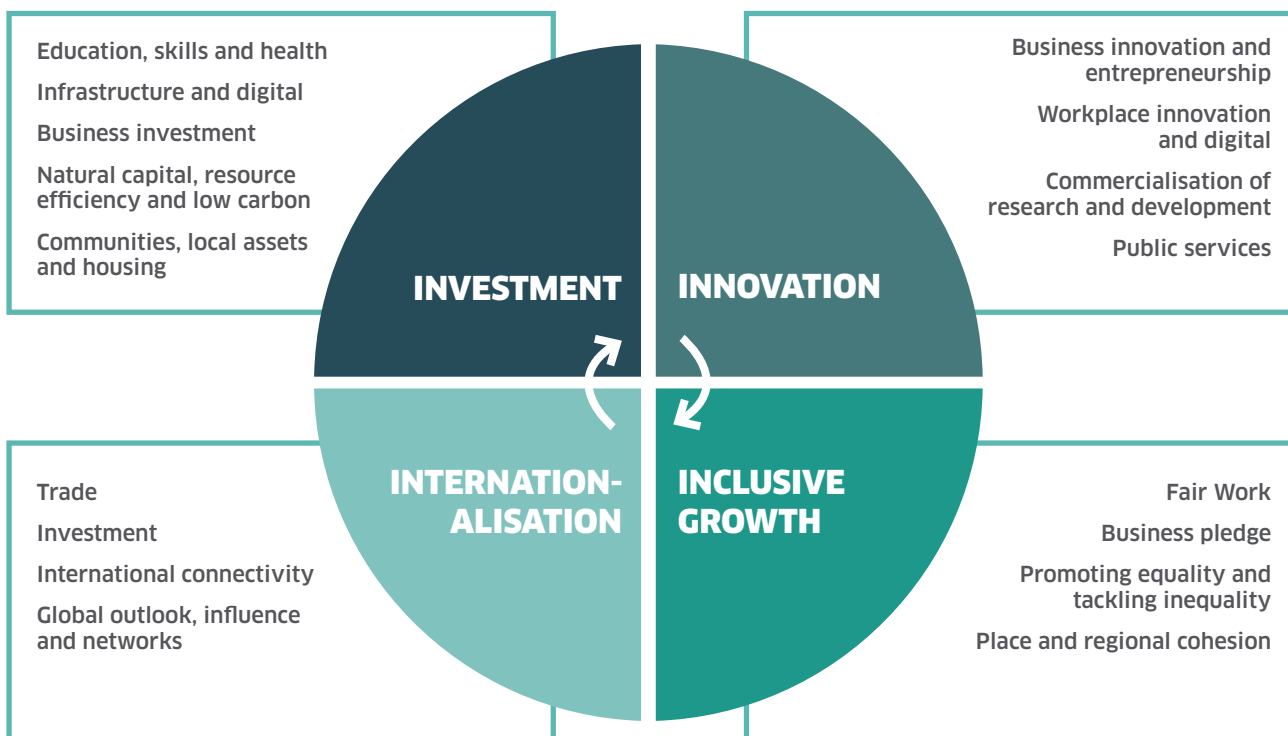
- Yes  No

## ANNEX A

### Scotland's Economic Strategy and National Performance Framework

**Scotland's Economic Strategy** focuses on the two mutually supportive goals of increasing competitiveness and tackling inequality, and we have four priority areas: investing in our people and infrastructure, fostering innovation, promoting inclusive growth and promoting Scotland on the international stage. These four priorities are sometimes referred to as the “4 I’s”. The diagram below shows how our key policies fit [Scotland's Economic Strategy](#).

#### The Four priorities



The **Purpose** of the Scottish Government is to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. It is measured and regularly reported on through the National Performance Framework (NPF), which includes high level targets relating to the Purpose, along with a set of National Indicators.

There is a wide range of indicators which exist below the National Performance Framework and can be used to further understand economic issues in Scotland and to monitor the performance of specific agencies and specific parts of the economic system.

#### Overview of Performance

**Productivity:** Scotland's real productivity level, in terms of GDP per hour worked, is 4.4 per cent higher than in 2007. Although Scotland's productivity level is similar to the UK's, we would rank 19th out of 35 OECD<sup>1</sup> countries. A step-change is needed to reach our ambition to rank in the top quartile of countries.

1 <http://www.gov.scot/About/Performance/scotPerforms/purposetargets/productivity>

**Inequality:** Income inequality, as measured by the Palma Ratio, increased slightly between 2013/14 and 2014/15. Although Scotland is less unequal than the UK overall, we would rank 19th out of 34 OECD countries where estimates of income inequality are available.<sup>2</sup>

**Investment:** In 2014 Scotland had the highest percentage of the population with tertiary educational attainment of all European countries.<sup>3</sup> However, there are persistent differences in educational attainment, and in school leavers going on to positive destinations, between those in the most and least deprived areas of Scotland.<sup>4</sup>

**Innovation:** Spending on research and development in Scotland has increased between 2006 and 2014, from 1.32% of GDP in 2006 to 1.56% of GDP in 2014.<sup>5</sup> However, Scotland's business R&D expenditure as a share of GDP is low by international standards.<sup>6</sup> Scotland's small business innovation rate is slightly higher than the European-wide rate. However, Scotland lags in terms of the innovation rates of medium-sized and large-sized businesses.<sup>7</sup>

**Inclusive Growth:** Scotland's labour market has been resilient in recent years. While there are persistent differences in employment rates across Scotland, the gap is narrowing.<sup>8</sup> Around 20% of employees in Scotland earn less than the Living Wage.<sup>9</sup>

**Internationalisation:** The value of Scotland's international exports has increased by 36% in nominal terms since 2007, although the value of exports fell between 2013 and 2014.<sup>10</sup> However, the share of Scottish SMEs exporting has declined in recent years, from 20% in 2006-07 to 12% in 2014.<sup>11</sup>

2 <http://www.gov.scot/About/Performance/scotPerforms/purposetargets/solidarity>

3 Labour Force Survey & OECD data

4 <http://www.gov.scot/Topics/Statistics/Browse/School-Education/leavedestla/follleavedestat/attainmentandleavers1415>

5 <http://www.gov.scot/About/Performance/scotPerforms/indicator/research>

6 <http://www.gov.scot/Resource/0049/00491296.pdf>

7 <http://ec.europa.eu/eurostat/web/microdata/community-innovation-survey> & <https://www.gov.uk/government/statistics/uk-innovation-survey-2015-headline-findings>

8 <http://www.gov.scot/About/Performance/scotPerforms/purposetargets/cohesion>

9 <http://www.gov.scot/About/Performance/scotPerforms/indicator/livingwage>

10 <http://www.gov.scot/About/Performance/scotPerforms/indicator/exports>

11 <http://www.gov.scot/Resource/0049/00494097.pdf>

## ANNEX B

### Agency Roles and Responsibilities

Our enterprise and skills agencies perform a wide range of functions which are vital to supporting the Scottish economy.

#### [Scottish Enterprise \(SE\)](#)

SE is the main economic development agency for lowland Scotland, playing an important role in assisting businesses in Scotland and delivering Scotland's Economic Strategy. Its functions include:

- furthering the development of Scotland's economy and in that connection providing, maintaining and safeguarding employment;
- promoting Scotland's industrial efficiency and international competitiveness;
- furthering improvement of the environment of Scotland.

SE's future priorities can be found in the [2016-17 update to its business plan](#).

#### [Highlands and Islands Enterprise \(HIE\)](#)

HIE is the main economic development agency for Highlands and Islands in Scotland, playing an important role in assisting businesses and communities in Scotland and in delivering Scotland's Economic Strategy. Its functions include:

- preparing, concerting, promoting, assisting and undertaking measures for the economic and social development of the Highlands and Islands;
- maintaining and enhancing skills and capacities relevant to employment in the Highlands;
- furthering improvement of the environment of the Highlands and Islands.

HIE's future priorities can be found in its [2016-19 operating plan](#).

#### [Skills Development Scotland \(SDS\)](#)

SDS is the national skills body supporting the people and businesses of Scotland to develop and apply their skills. Its key functions include:

- Contracting for training programmes including Modern Apprenticeships and support for those seeking employment;
- Provision of labour market intelligence and research to align skills investment with labour market needs through Skills Investment Plans and Regional Skills Assessments;
- Delivery of Scotland's all age Career Information Advice and Guidance service through a range of face to face and digital channels.

These are detailed further in its [corporate plan for 2015-2020](#).

#### [Scottish Funding Council \(SFC\)](#)

The SFC exists to fund the provision of coherent further and higher education and research in colleges and universities, as well as supporting other relevant activity. It:

- allocates public funding to colleges and HEIs for teaching and research, buildings and equipment, and for specific initiatives and strategic developments;
- assesses and enhances the quality of learning programmes;
- develops strategies for improving knowledge and skills, strengthening the Scottish research base and encouraging knowledge exchange with – and innovation in – the public and private sectors.

Its future priorities are set out in its [2015-2018 Strategic Plan](#).

## ANNEX C

### Review Terms of Reference

Scotland's Economic Strategy sets an ambition to be in the top quartile of OECD countries for productivity and wellbeing. Achieving this objective will require a transformational step change in our performance across a range of outcomes. The economy is central to achieving this ambition and this review will bring forward recommendations for how we maximize our key economic interventions to achieve these goals.

The review and recommendations will focus on achieving three main aims:

1. **Achieving the Government's ambition as set out in Scotland's Economic Strategy and National Performance Framework** so that our outcomes in respect of innovation, investment (including human capital) and internationalisation lead to a step change in our economic performance and a more productive and inclusive economy.
2. **Ensuring our economic and skills interventions are shaped by users' needs** and the opportunities users can create as a result of these interventions. The review will address the requirements of an open, modern and advanced economy, including the diverse range of opportunities and challenges in Scotland, and how local and regional approaches that build on national and local assets and relationships can best exploit and tackle them.
3. **Ensuring that delivery continuously reflects best practice** in terms of achieving effective outcomes, driving improvement and optimising public value in the delivery, efficacy and effectiveness of our interventions, and ensuring that it is flexible and fits with the evolving fiscal and regulatory landscape of enhanced devolution.

#### Which public agencies are involved in this review?

The agencies involved are:

- Scottish Enterprise (including Scottish Development International)
- Highland and Islands Enterprise
- Skills Development Scotland
- Scottish Funding Council

The review will take into account the economic development role of local authorities, VisitScotland and Creative Scotland and the need for complementarity. It will foster an environment in which further and higher education institutions support efforts in relation to raising educational attainment, contribute powerfully to Scotland's Economic Strategy, and support the Government's aspirations in relation to widening access.

#### Governance and Timing

The review will be led by Cabinet Secretary for Economy, Jobs and Fair Work on behalf of the Scottish Government, be supported by relevant Ministers and key officials, and involve the key agencies, stakeholders and users. The review will report recommendations in late summer 2016.



**The Scottish  
Government**  
Riaghaltas na h-Alba

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**W W W . g o v . s c o t**



# Response to Call for Evidence on the Scottish Government Enterprise and Skills Review



## RESPONDENT INFORMATION FORM

**Please Note** this form **must** be returned with your response.

Are you responding as an individual or an organisation?

- Individual  
 Organisation

Full name or organisation's name

East Lothian Council

Phone number

01620 827174

Address

John Muir House  
Haddington

Postcode

EH41 3HA

Email

ssmith@eastlothian.gov.uk

The Scottish Government would like your permission to publish your consultation response. Please indicate your publishing preference:

- Publish response with name  
 Publish response only (anonymous)  
 Do not publish response

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

- Yes  
 No

## Review Questions.

### Personal experience

1. Have you had direct interaction with enterprise or skills advice or support?

x Yes  No

2. Tell us briefly about your experience:

- what were you trying to access?
- through whom and when?
- what was your experience?
- what worked well and less well?
- how did you find the quality, ease and speed of service?
- what did you think of the cost or value of the service?

**Scottish Enterprise.** Account-management support via Business Gateway Lothians'. Displacement as key criterion prevents acceptance into pipeline. Digital Boost and Digital Tourism Workshops – meet demand from businesses **Skills Development Scotland** as part of East Lothian Works, delivery and support of national training programmes **SFC, SDS** through City Deal discussions Community Planning Sustainable Economy Partnership – representation of key stakeholder bodies

3. If you have not used such services can you outline why this is the case?

n/a

### Reflections on the system of support

4. What do you see as the strengths and weaknesses of the current approach?

Strength. Opportunity to access specialist financial and other support for individuals and businesses.  
Weakness. There can be a lack of awareness of the range of products and services available at local level and this can lead to duplication and overlap.

5. What needs to change in the current system of support to make it simple and clear, and help us deliver Scotland's vision?

Better communication and integration at local level to enable improved service to beneficiaries

6. What are the right:

- roles;
- services;
- skills; and

- behaviours  
needed from our agencies to support this transformation?

Transparent communication with all stakeholders  
Understanding of local economic circumstances by stakeholders through building relationships at local level

7. How might we ensure this step-change reaches and benefits all of Scotland, building on regional and local strengths?

Sharing of best practice across Scotland

8. How would we know if the system is working better?

Interface with beneficiaries and improved outcomes for businesses and individuals

9. How might public resources be deployed most effectively to match priorities, deliver value for money, and flow through the minimum number of levels and organisations to the user?

Joining up range of services delivered at local authority level and ensuring that the new service meets local needs through Community Planning arrangements

10. Is there any other published evidence, or good practice, which you would particularly highlight that you wish us to take into account during the review?

East Lothian Works

Please provide any other relevant comments you may have

Please see attached response

**EAST LOTHIAN COUNCIL  
ECONOMIC DEVELOPMENT AND STRATEGIC INVESTMENT SERVICE  
ENTERPRISE & SKILLS REVIEW**

**Call for Evidence, July 2016**

East Lothian Council welcomes the opportunity to contribute to the Scottish Government Enterprise and Skills Review and is supportive of the response to this review provided by SLAED (Scottish Local Authority Economic Development Officers) Group that was subject to wide consultation and agreement at local authority level. For ease, additional commentary on the local context, challenges and opportunities is outlined below.

Economic development is a key priority for East Lothian Council, reflected strongly in the Council Plan 2012-17, with the East Lothian Community Planning Economic Development Strategy 2012-22, providing the underpinning rationale for all economic development interventions. The Community Planning Sustainable Economy Partnership, comprised of private and public sector stakeholders, monitors progress on strategy implementation and the strategy will be subject to its first review imminently.

This response focuses on the support provided by and the relationship with Scottish Enterprise (SE) and Skills Development Scotland (SDS) although it should be noted that the Scottish Funding Council (SFC) is involved in the Edinburgh and South East Scotland City Region Deal initiative. The headings applied below are those used by SLAED.

**Inclusive growth**

Referencing inclusion as one of the 4 I's of the Government Economic Strategy, East Lothian Council strongly supports the principle of inclusive growth. For example, in 2012 East Lothian Council established East Lothian Works, its one-stop employability centre for businesses and individuals, supported by and working in closer collaboration with the key agencies. Since opening, the number of beneficiaries (businesses and individuals), the quality of the input provided and the number of services on offer have all grown and developed in tandem with economic challenges and opportunities. This example of inter-agency co-operation supports the principle of inclusive growth and could be replicated in other areas.

**Local decision-making**

Greater devolution of powers and responsibilities to a local level could enable a more effective use of resources to meet local economic circumstances that are not always recognised at national level nor supported by national agencies. This also applies at regional level where the Business Gateway programme managed at regional level and delivered locally with regional priorities favoured. Indeed local government, given its wide span, is often best placed to understand and respond more flexibly to local challenges and opportunities. The SE account-management programme with displacement a key criterion can present difficulties for local businesses to be accepted. On the other hand, the Digital Boost and Digital Tourism Workshops delivered by SE are an excellent means of improving the digital capability of businesses and East Lothian Council encourages business take-up of these.

### **Decluttering the landscape**

Businesses and individuals supported do not necessarily distinguish between an intervention provided by SE, SDS, Business Gateway or the local authority. By sharing information and resources, the potential user/beneficiary of an economic development intervention can be directed to the most suitable source of support or package thereof, so avoiding duplication and overlap between public sector bodies and designing out inefficiencies within the current system.

### **Local authority economic development investment**

Local government and the agencies in question provide considerable resources to supporting the development of the national and local economy, as highlighted in the Terms of Reference of this review, and the SLAED Indicators' reports outline the level of local authority economic development support. Additionally, local authority economic development staff have considerable experience and expertise in supporting and delivering to their beneficiary clients.

### **Conclusion**

East Lothian Council provides considerable resources to its Economic Development and Strategic Investment Service in line with the priorities of the East Lothian Community Planning Economic Development Strategy. East Lothian Works and delivery of the Business Gateway service enable widespread engagement with individuals seeking work and businesses recruiting and requiring development support. East Lothian Council concurs that there needs to be greater recognition of the role and impact of local authority economic development services and identifying ways of decluttering the landscape and improving the already good relationship with key agencies will enable an enhanced service to beneficiaries. East Lothian Council is part of the Edinburgh and South East Scotland City Region Deal, committed to closer collaboration at a regional level with its local authority neighbours, and the projects within this Deal will, if approved, contribute to the Government Economic Strategy and to improved outcomes for the national economy.

Susan Smith

Team Manager, Economic Development

Economic Development and Strategic Development Service

15 August 2016

## DRAFT FINAL VERSION

### Scottish Local Authorities Economic Development Group

#### Submission to the Review of Scotland's Enterprise and Skills Agencies

##### Introduction

1. This submission is made by SLAED, the professional network representing economic development officers from across Scotland's 32 Local Authorities.
2. The submission has been developed on the basis of input invited from across the SLAED Executive, SOLACE, Improvement Service, CoSLA, members of the Scottish Local Government Partnership and all 32 Councils. It also builds upon key policies and approaches supported by local government and outlined in documents such as the '[SLAED Strategic Plan](#)', the '[Local Authorities' Economic Development Improvement Guide](#)', the '[Economic Outcomes Programme](#)' and the report of the '[Commission on Strengthening Local Democracy](#)'.
3. This input is being submitted to the Scottish Government in draft final format by the 15<sup>th</sup> August 2016 deadline indicated in the 'Call for Evidence' paper. It will, thereafter, be submitted to the first available SOLACE meeting, which is scheduled for 19<sup>th</sup> August. Any substantive amendments subsequently agreed between SLAED and SOLACE will be communicated to Scottish Government officials.
4. The SLAED submission includes a more detailed Appendix, which sets out contextual information, more detailed comments and examples that illustrate a number of the points made.

##### Comment on the scope and timing of the Review

5. The Review is welcomed by local government as it is recognised that there has been long-standing underperformance within the Scottish economy in areas such as productivity, entrepreneurship and innovation. It is also recognised that, despite some progress in recent years, aspects of the economic development network remain cluttered and confusing for service users and sub-optimal in terms of efficiency and effectiveness. A Review that delivers improved clarity, alignment and impact will be supported by local government.
6. However, it is noted that the scope of the Review does not extend to all the organisations that play an important role in delivering economic development in Scotland and there is perhaps a missed opportunity to consider the whole system, in the round.

7. Likewise, the ability to achieve the stated aims of undertaking a wide-ranging, inclusive and evidence-based review have been adversely impacted due to the tight timescale for the Review. This has restricted the ability to undertake more detailed analysis and discussion. Given the importance of the issues under consideration, this is regrettable.

#### The Significant Contribution of Local Government to Scotland's economy

8. Local Government is the lead partner for local economic development and a vital element within Scotland's economic development network. In terms of tightly defined economic development activities alone, councils have elected to invest a level of resource that exceeds that of each of the country's national economic development and skills agencies.
9. In the past year, this has resulted in local government collectively supporting over 60,000 individuals via employability programmes and over 18,000 businesses with start-up and growth support. These examples illustrate the scale and reach of local authority economic development activities. A fuller aggregate summary of key local authority economic development KPIs is set out within the Appendix and, more fully, within the annual [SLAED Indicators Report](#).
10. Beyond traditional economic development, significant additional investment is also made by councils in wider areas, such as education, roads and planning - all of which are of critical importance to the economic performance of Scotland.
11. Every one of Scotland's 32 local authorities has chosen to prioritise economic outcomes and this is reflected in councils' corporate strategies and operating plans. It is also reflected in the work of Community Planning Partnerships, where councils have traditionally taken a lead role in co-ordinating input across a range of partners. The additional duties now placed on CP partners to reduce inequalities, under the Community Empowerment Act, is important context for economic development and for this Review.
12. Despite severe funding restrictions and the fact that economic development is a discretionary function, councils have, nevertheless, continued to prioritise investment in this area in recent years. This has included councils developing innovative funding mechanisms, such as Tax Incremental Funding, to fund additional investment in the economy.
13. Moreover, local authorities have recognised the important role that they themselves play as major economic entities. All 32 local authorities have chosen to invest and participate in the SOLACE-led Economic Outcomes Programme, which is assessing how councils can further enhance the positive impact of the economic levers within their direct influence. This includes their role as major employers, procurers of goods and services, asset owners; and deliverers of a wide range of services and policies that impact on the economy.

14. In summary, although it is not always overtly recognised, local authorities are a critical element of Scotland's economic development network. There is an opportunity to assess the respective roles of national and local partners to ensure they are complementary. In terms of service users, 'who is delivering' is less important than ensuring that what is delivered is of value.

#### The role of the Public Sector in economic development

15. A review of the national agencies ought to start with a clear exposition of economic theory concerning the role of the public sector and how and where public sector partners can best intervene in ways that will support sustainable, inclusive economic growth. The ['Local Authorities' Economic Development Improvement Guide](#) sets out the rationale for public sector interventions in order to help maximise net additional impact. Achieving the step change desired in Scotland's economic performance will require a commitment to improved intelligence and implementation of the most effective interventions. The current structures and roles are not supporting this as well as they might.
16. SLAED is of the view that the country's system of economic development ought to include a mix of interventions at different levels. Some interventions are best delivered locally, whilst some interventions are best delivered at national level. On occasion, local delivery will lend itself to intelligent aggregation, for example, at the regional level. It is also recognised that Scotland has a diverse economy, meaning that a 'one size' approach is often inappropriate as it will often not meet local needs. There are examples within the appendix where 'national' interventions are not currently being delivered in a way that reflect local circumstances. Structures and interventions ought to be reflective of the reality of economic geographies and the differences between areas. Local authorities already co-operate on numerous cross-boundary initiatives, where it is appropriate to do so, and there is an appetite within local government to extend this approach. Equally, it is also recognised that the new statutory requirement for LOIPs and Localities Plans, focused on addressing inequalities, are also likely to require a greater focus on sub-local authority working. Key principles, such as that of subsidiarity - which have already been agreed by Scottish Government and local government - ought to be a key organising principle for economic development.
17. Within the economic development system, there needs to be much greater clarity about respective roles and relationships to ensure maximum impact is achieved for public investment. The current lack of clarity has resulted in overlap and duplication and a sub-optimal use of resources across the system of public sector economic development. In particular, local authorities are uniquely placed to provide insights on localised circumstances and local service users. But to ensure a joined-up, whole system approach, councils also need to be involved in agreeing appropriate parameters with national partners.
18. The reducing resources available across the public sector, together with the economic uncertainty caused by the BREXIT vote, further emphasise the imperative to eliminate waste within the system and to ensure that interventions are designed on the basis of evidence of what works. The Review ought to commit to address this and that would



require a wider focus and longer-term workplan. Local authorities would be committed to contributing to such an approach.

19. Local government's Economic Outcomes Programme recognises that improving economic outcomes is the cornerstone for developing a wider range of life outcomes and managing down long-term demand for public services. The Scottish Government has supported councils in leading and developing this work and it is suggested that the Government ought now to direct other major public sector organisations such as NHS, universities and colleges to adopt this approach. There is a particular opportunity within this relating to the provisions of the Community Empowerment Act. A more creative application of public sector partners' assets and other economic levers could achieve a significant positive economic and wider impact, including in relation to reducing inequalities.

#### Rationalisation of national agencies and interventions

20. Consideration ought to be given to whether Scotland requires two economic development agencies and a skills agency. There are a range of options to be considered as to how this may be improved. At present, beyond some broadly agreed principles, there is limited information that would support a proper, evidence-based consideration of this issue.
21. Issues that should be considered include whether there ought to be a single co-ordinating body for overseeing the work of the national economic development agencies in order to ensure clarity of focus and complementarity. Given the need for complementarity with local government's lead economic development role, there ought to be strong local government input to the governance and overall direction, operating plans and performance monitoring of the national agencies.
22. Achieving better integration between skills and employability, on the one hand, and business and wider economic development, on the other, is important. At present, the remits of the national partners do not always lend themselves to this. Greater clarity regarding respective partners' contribution to the Scotland's Economic Strategy will be helpful, including a clearer articulation of the contributions made to the national performance framework.
23. There is also scope to rationalise activities across the national partners in order to reduce duplication and achieve an enhanced single approach. For example, this could consider whether Scotland requires separate sectoral teams within each of the 3 national agencies or whether the benefits of a shared resource - with appropriate contributions and access for local partners - would deliver more.
24. Similarly, there is scope to improve the alignment between local government and national agencies. This extends to assessing which programmes and interventions are best delivered by national / local partners. The detailed appendix highlights examples where there is scope to reduce bureaucracy and enhance service user experience. This includes concerns about the efficacy of the annual contracting processes with SDS, the

variable interface with SE account managers and the fact that new national initiatives can be sometimes be imposed in a centralised way, which take little account of interventions that already exist or the need for discretion concerning some element of local variation to reflect circumstances.

25. Within this, local authorities, with appropriate resources, would be uniquely placed to act as an entry point to triage business needs and signpost to the appropriate mix of local and national programmes that can best meet user requirements. This also links to the need for better referral and information sharing across all partners.
26. Allied to the above, there is an opportunity to rationalise, the wide range of economic development interventions that currently exist across all economic development partners, in order that public funding is focused on the mix of interventions that will deliver the best impact.

#### 27. Research, Evaluation and Economic Intelligence

Despite some individual examples of good practice within the national agencies and individual local authorities, there is a relative dearth of high quality evaluation evidence concerning which economic development interventions work best in which circumstances and deliver good value for money. Whilst What Works Scotland has taken a different approach, [What Works Local Economic Growth](#) in England has provided a range of practical insights, derived from analysis of robust evaluation evidence. Other examples, such as [New Economy Manchester](#), demonstrate the benefits of investing in better understanding the evidence base. In order to compete effectively, Scotland requires to significantly 'up its game' in the analysis, dissemination and application of economic intelligence, research, appraisal and evaluation. There is an opportunity to pool resources across Scottish Government and other key economic development partners in order to increase investment in this important area and gain commitment to a collective approach. The experience of FutureskillsScotland being taken in-house by the Scottish Government illustrates the importance of such a body having operational independence from Government. A set-up along the lines of the Office for Budget Responsibility or Office for National Statistics could help increase objectivity and independence, ensuring a greater focus in determining the most appropriate and effective interventions for all economic development partners to apply.

#### 28. Key Principles

SLAED has worked with CoSLA and others to develop and endorse the following key points and principles pertaining to the Review:-

- A clearer focus on inclusive growth is required by all partners, including the agencies under review. There needs to be consideration given to the outcomes sought via the totality of investment in economic development and skills and what this is intended to achieve.
- There should be a conscious decision, wherever possible, to devolve responsibility and the necessary resources to local government, to then allow

services to be delivered at the most appropriate and practicable level in order to improve outcomes.

- There is a need for greater clarity of the roles and responsibilities of local authorities and national agencies in relation to economic development and skills.
- There must be greater co-ordination and collaboration between local and national agencies to ensure a decluttered user experience in order to improve outcomes. This may require further consideration being given to geographic and regional issues and the need for changes to the delivery mechanism for some services.
- The degree of investment in economic development by local authorities is high. Councils' wider contribution to the economic development and skills landscape across the variety of council services that they provide needs to be better recognised. As part of this, the funding relationships between various partners and agencies need to be addressed and must be made clearer.

The following summarises key points that the Review ought to reflect relative to SLAED's 3 main organising themes of People, Business and Place:-

- People – a strengthening of focus on local partnership integration, firmly focused on resourcing delivery that is tailored to user needs;
- Business – a de-cluttering of the landscape is required together with clearer exposition of relative responsibilities; and
- Place – a greater focus on resourcing regeneration, strengthening communities and local decision-making.

## 29. Conclusion

SLAED calls for the Scottish Government to fully recognise the contribution that councils make to economic development in Scotland, and to give local authorities full parity alongside the national agencies in key planning and decision-making areas.

SLAED believes that local authorities are best placed to deliver local economic development and make the most significant contribution to the shared aims of reducing inequalities and achieving inclusive growth. Therefore:

- SLAED calls for a better defined position on the roles and remit of national agencies and local economic development teams, together with a shift of resource to support more localised action, where appropriate; and
- SLAED recommends that the principle of subsidiarity should be applied to economic development in Scotland and that the delivery of Scotland's Economic Strategy should reflect the need for co-ordination of local, regional and national approaches. Except in instances where there is a clear rationale for national level intervention, responsibilities ought be devolved to the local level.

In conclusion, SLAED will be supportive of a Review which strengthens strategic alignment across the main economic development partners. This should be undertaken in a way which leads to better co-ordination, less duplication and a clearer role in managing the interface between local and national partners.

In conclusion, an evidence-led review requires the analysis of robust evidence. The existing evidence base is comparatively limited and SLAED has put forward a proposal for considerably strengthening the approach by pooling resources and establishing an independent mechanism to lead and co-ordinate intelligence, research and evaluation concerning economic development. At a time of reducing resources, the need for this has never been greater. Discussions on the appropriate structures for delivering economic development within Scotland ought also to be based on best available evidence. The most appropriate structures ought to flow from an assessment of purpose, of which mix of interventions ought to be delivered and how these can best be delivered - nationally, locally or via intelligent aggregation. Accordingly, it is suggested that this current short-scale Review ought to act as a catalyst for undertaking a proper, detailed, evidence-based review, which would cover the purpose, functions and structures of public sector economic development in Scotland.

#### Further information

Further information concerning the SLAED submission is outlined in the attached Appendix.

For any queries or further information regarding this submission, please contact:-

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