ECONOMY, ENERGY AND TOURISM COMMITTEE

AGENDA

27th Meeting, 2010 (Session 3)

Wednesday 6 October 2010

The Committee will meet at 9.30 am in Committee Room 1.

1. Protection of Workers (Scotland) Bill: The Committee will take evidence on the Bill at Stage 1 from—

   Kenny MacAskill, Cabinet Secretary for Justice, and Philip Lamont, Head of Branch, Criminal Justice and Sentencing, Scottish Government.

2. A fundamental review of the purpose of an enterprise agency and the success of the recent reforms: The Committee will take evidence from—

   Robin Presswood, Chairman Scottish Local Authority Economic Development Group, Fife Council;

   Anil Gupta, Environment and Regeneration Team Leader, Convention of Scottish Local Authorities;

   Jim Galloway, Member of the Business Gateway Board, City of Edinburgh Council;

   Jonathan Levie, Reader, Hunter Centre for Entrepreneurship, University of Strathclyde;

   Ronnie Smith, Chief Executive of Lanarkshire Enterprise Services and Executive Director of Business Enterprise Scotland, Business Gateway Lanarkshire.

3. Climate change: The Committee will consider its approach to the scrutiny of relevant sections of the Scottish Government’s forthcoming draft report on proposals and policies.

4. Scottish Development International - appointment of a new chief executive: The Committee will consider correspondence from the Cabinet Secretary for Finance and Sustainable Growth.
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The papers for this meeting are as follows—

**Agenda Item 1**

Note by the clerk  EET/S3/10/27/1

**Agenda Item 2**

Note by the clerk  EET/S3/10/27/2

SPICe briefing paper  EET/S3/10/27/3

PRIVATE PAPER  EET/S3/10/27/4 (P)

**Agenda Item 3**

Note by the clerk  EET/S3/10/27/5

**Agenda Item 4**

Note by the clerk  EET/S3/10/27/6
Economy, Energy and Tourism Committee

27th Meeting, 2010 (Session 3), Wednesday, 6 October, 2010

A fundamental review of the purpose of an enterprise agency and the success of the recent reforms

Background

1. The Committee received the following written submissions from today’s enterprise inquiry witnesses in response to the Committee’s call for evidence in September 2010:
   - Scottish Local Authorities Economic Development Group (SLAED)
   - Business Enterprise Scotland

2. In addition, at the request of the Committee, the clerks have followed up with each individual Local Authority in order to encourage them to submit evidence to the inquiry. The Committee has received the following submissions to date, comprising 12 out of the 32 bodies:
   - Argyll and Bute Council
   - Comhairle Nan Eilean Siar
   - East Lothian Council
   - Fife Council
   - Glasgow City Council
   - The Highland Council
   - Orkney Islands Council
   - Scottish Borders Council
   - South and North Lanarkshire Councils
   - Stirling Council
   - West Lothian Council

2. These submissions are attached in the annexe to this paper and Members are invited to take them into account in their deliberations when questioning today’s witnesses.
SUBMISSION FROM SCOTTISH LOCAL AUTHORITIES ECONOMIC DEVELOPMENT GROUP (SLAED)

Q1. What impact has the rationalisation of the enterprise network and the abolition of the LECs had on the quality or effectiveness of the services delivered?

A1. The 2007 Scottish Government Review of Enterprise was the most fundamental reform of Scottish economic development since the creation of Scottish Enterprise and the LEC Network in 1991. SLAED is supportive of the new structures as they provide distinct roles for the Local Authority sector (leading on local economic development) and the national agencies (strategic economic development).

As the Review of Enterprise gave the lead role in delivering local economic regeneration and Business Gateway to the local authorities, there is a strong argument that the local authorities should be considered as a core part of Scotland’s enterprise networks.

The local authority sector has developed its practice in a number of areas since 2007 to help improve delivery on the ground. It is clear, however, that one of the unintended consequences of the review is there has been a considerable reduction in local economic development expenditure, as only a proportion of previous LEC expenditure has been transferred to the local authorities.

Economic development is a discretionary service in local authorities, and as such the priority given to it varies across the country. This was illustrated in a recent SLAED study which was carried out by EKOS consultants, which revealed significant variance in investment between comparable authorities. Making economic development a statutory service might help ensure consistency across the country.

Q2. Has the transfer of activities, such as the Business Gateway service, to local authorities improved the delivery of services to local businesses and what evidence is there of this?

A2. The transfer of local Business Gateway contracts to lead local authorities has been successful from our point of view. The full value of the local Business Gateway contracts was transferred to the local authority sector. There has been no reduction in either contract performance or customer satisfaction since the transfer took place, and the local authority sector has been able to integrate Gateway activity with significant levels of complimentary economic development investment. The transfer has also allowed local authorities to work closely with the Business Gateway contractors to deliver a focussed service to meet specific local business and economic needs during the recession.

This issue is explored and more detailed in Appendix 1 produced by SLAED, which demonstrates the added value that local authorities are delivering to the Business Gateway contract.
Q3. What has been the experience of businesses that are not account-managed by Scottish Enterprise/Highlands and Islands Enterprise since the 2007 reforms? Are such companies finding it difficult to attract the support they need from the enterprise agencies and what evidence is there of this?

A3. This is an area which SLAED believes would benefit from further study. Business Gateway is perceived as providing a service for small and growing companies, and Scottish Enterprise as providing a service for larger and faster growing companies. Feedback from member councils is that some larger companies which do not meet the sectoral or growth criteria for entry to SE Growth Pipeline or Designated Relationship Management (DRM) may have found it difficult to access support.

This is particularly important in the economic downturn, as fewer companies are able to achieve the growth criteria for entry to SE product intervention and programmes. In response, SLAED and COSLA have developed through Business Gateway channels, a sub-growth pipeline advisory service for companies capable of achieving an increase in turnover of £200,000 to £400,000.

In addition, a number of Councils have implemented a local complimentary service to provide an Expert Help specialist service to support the growth of this business cohort and other businesses important to the local economy. A concern from Business Gateway contractors and lead local authorities has been highlighted that Scottish Enterprise is starting to engage directly with candidates for DRM and Growth Pipeline, rather than accepting referrals through Business Gateway in the established way. To avoid confusion for the business community, there should be clear protocols at local level to ensure that support services are offered on seamless basis by SE, BG and the local authority, to avoid confusion.

Business Gateway is refocusing its marketing to further emphasise that it provides a service for all companies, not just start-ups. The ending of current Business Gateway delivery contracts in 2012 offers a significant opportunity to revise company development support in Scotland to ensure that no gaps exist, and that companies of all sizes and types are able to access adequate support at key stages of their development. It is essential that Scottish Government should start consultation about delivery models for Business Gateway post 2012 as soon as possible.

Different models of support appear to exist in the respective SE and HIE areas. In SE areas, clients in Business Gateway’s growth pipeline can access SE products before they move into account management. In HIE areas, it is understood that clients in the Business Gateway growth pipeline generally receive no equivalent HIE products, just BG adviser support unless they are in a fragile area or fall under the communities remit. Greater consistency across the country may be beneficial. The introduction of Business gateway in the Highlands is understood to have led to removal of the start up grant scheme previously offered by HIE, as the only funding transferred to the local authorities was for adviser support.

Q4. How joined up are the various agencies that are now charged with supporting economic recovery? Are there examples of successful partnership working between, for example, SE or HIE and local authorities? How has the establishment of the strategic forum assisted in this regard?
A4. Scottish Government has put in place a number of national groups to ensure that the national agencies engage effectively with the local authority sector in driving forward government economic strategy. Although the local authority sector is not a member of the Strategic Forum, COSLA and SLAED have been invited to join both the Strategic Group on the Economic Recovery Programme, and a Joint Working Group which supports both the Strategic Forum and the Strategic Group. These provide a useful forum for co-ordination.

At a local level both SE and HIE generally have a strong track record of working in partnership with the local authority sector through community planning partnership mechanisms or through commercial joint ventures with local authorities or project boards. National projects which are driven on this basis include Clyde Gateway, Energy Park Fife, Dundee Waterfront and Aberdeen/Aberdeenshire’s Energetica energy corridor. However, in some regions, staff reductions have led to a lack of visibility of SE and engagement at local level.

The national agencies have assisted the local authority sector in developing Best Practice since the Review of Enterprise. One example is SLAED’s development of National Performance Indicators for the local authority sector which has been supported by SE, HIE, VisitScotland, COSLA, the Improvement Service and Scottish Government.

The Business Gateway National Board is a good example of partnership working between the local authority sector, Scottish Government, SE and HIE. The board oversees BG operations, and controls the BG National Team which is based in COSLA. At a local level, Partnership Action for Continuing Employment (PACE) is effective and demonstrates that national and local agencies do collaborate well.

On area for development is potentially the need to engage with the main private sector representative bodies. The Business Gateway National Board has developed a stakeholder group, and it may be worth exploring the development of this approach to ensure that the main private sector bodies can speak to public sector providers about the full range of economic development services across Scotland on a holistic basis rather than as individual agencies.

Q5. What distinctive contribution has been made by HIE as a result of its social/strengthening communities remit? Should the same obligation be applied to SE?

A5. HIE has a strong tradition of investing in community development, and this has proved effective in the past. SE has not had such a remit, and the Review of Enterprise resulted in a sharp distinction between local activity, which would be driven by the local authorities, and strategic activity which would be driven by Scottish Enterprise.

Any attempt to give SE a Social/Strengthening Communities remit would inevitably lead to duplication with the local authorities sector, and is not recommended. In the event that Scottish Government wishes to enhance investment in this area, this should naturally be delivered by the local authorities in the SE area.
Q6. Have COSLA and SE been able to agree on what constitutes local, regional and national regeneration? Are local authorities maintaining levels of local regeneration activities? What benefits have accrued from the transfer of local regeneration activities to local authorities? What has been the impact on regional regeneration projects? Have any regeneration projects failed or been cancelled as a consequence of this transfer of responsibilities?

A6. It is clear that there has been a reduction in local regeneration activities across Scotland since the abolition of the LECs. The previous agreement for a transfer of funding from Scottish Enterprise to the local authorities has been implemented gradually over a number of years, and in financial year 2009/10 Scottish local authorities only received a total of £3.9 million pounds additional from Scottish Government for this work. It is believed that this is significantly less than the LECs were able to invest in this activity prior to their abolition. This may merit further investigation by the Committee.

The majority of councils have been able to identify clearly where this additional investment has been used to support economic regeneration work, though as the funds were included in the overall Local Government Finance Settlement, councils were not required specifically to reinvest this money for this purpose.

Scottish Enterprise now focuses its activities in this area on activities of national significance, and on priority sectors such as renewable, life sciences, digital media and tourism. There are many good examples of joint delivery of projects with local authority partners. However the majority of such projects pre-date the 2007 reforms, and the ‘pipeline’ of new projects across the country is limited. Funding constraints appear to have limited SE’s ability to develop new national projects, and the limited funding transfer to local authorities and reductions in capital budgets has prevented Councils developing new regional and local interventions. Although initiatives such as the Town Centre Regeneration Fund have been helpful, it is a matter of some concern that throughout the recession, there have been significant funding constraints on economic regeneration activity.

The nature of regeneration projects is that they tend to be capital initiatives, with finite project horizons. Few have directly failed or been cancelled as a result of the transfer of responsibilities, but it is clear that fewer new projects have been instigated than might have been in the past, while other projects have stalled or have since been considered lower priority, as the available budget for both Scottish Enterprise and the local authorities has been constrained for such regeneration activities. Housing-led regeneration initiatives have also seen funding reduce in recent years, and this can further impact on overall regeneration activity.

Q7. The Cabinet Secretary envisaged that Regional Advisory Boards would provide a link between local, regional and national delivery. How is this working in practice and what links have been provided?

A7. Scottish Enterprise abolished LEC Boards and replaced them with Regional Advisory Boards which have been useful in providing a regional dimension to Scottish Enterprise’s strategic activity. SE has generally attempted to engage well with local authority partners within each regional area, and communication and engagement
within community planning partnership areas is generally positive. Some authorities note that there are fewer opportunities for strategic or operational planning discussions at a local level as a result of staff reductions.

The model in Aberdeen, where the Aberdeen City and Shire Economic Forum represents both the Regional Advisory Board and a local economic development partnership is commended as a model of good practice as it removes potential duplication between such fora.

**Q8. What advantages has the establishment of Skills Development Scotland brought in terms of the delivery of the skills agenda and have there been any difficulties?**

A8. The concept of combining the various agencies involved in careers development, learning and skills development has been helpful, as multiple agendas have been replaced by a single strategy.

Since the formation of Skills Development Scotland, local authorities have raised a number of issues in relation to how this new organisation has linked to Community Planning Partnerships. SDS has a dual relationship with local authorities, seeing them both as strategic partners through Community Planning Partnerships, and also in many areas as contractors, which sometimes causes complications in achieving partnership working. Discussions between SLAED and SDS are ongoing to address these issues.

Feedback from the SLAED network is that SDS has fewer resources available for interventions at local level than previously and a lack of transparency over the allocations of National Training programmes makes planning local delivery challenging.

Joint working in many areas is based on historic projects and activities, with limited new investment proposals emerging. Some authorities have identified a need for greater transparency relating to financial allocations and more effective data sharing with local authorities to ensure that significant budget underspends do not emerge late in the financial year.

It is apparent that SDS recognises the imperative to ensure the local delivery agreement process has positive and practical impacts in local settings if they are to be meaningful. The new P5 European Funding programme will present a practical opportunity for SDS to work alongside local employability partners to tailor SDS input to locally defined needs which is welcomed at a local level.

**A9. How will services be protected in light of any planned further restructuring exercise within Scottish Enterprise and/or Highlands and Islands Enterprise?**

A9. The local authority sector is keen to work in partnership with the national agencies regardless of which structures are chosen. The key issue is ensuring that the agencies have adequate resources to engage effectively with local authority partners to help deliver effective results on the ground.
Q10. Could the Scottish Government’s economic aims be achieved in a different way? Are there more successful or efficient models of delivery in other parts of the world?

A10. An alternative model for measuring our economic performance is the IMD World Competitiveness Index. This is a country competitiveness methodology used by countries such as Ireland and Australia to compare their competitiveness against other countries. The current economic model used by Scotland is the OECD one that has fewer comparison countries, and does not include key ones such as Russia, China and India. The World Competitiveness Index assesses not just economic performance but also government efficiency, business efficiency and infrastructure, all areas of considerable focus for both public and private sector in Scotland.

For example one of the measures is how many days it takes to start up a business – in Australia 2 days and in the UK 15. We have no measure for Scotland. These competitiveness factors are those that not only international investors consider when making investment decisions but are now being taken into account by all domestic businesses.

Q11. Could services be delivered as effectively, with greater efficiency, by a single agency or some other structure with increased shared services etc? Conversely, are a single economic strategy and the SE account management model suitable for both Scotland and the Highlands & Islands?

A11. The 2007 Review of Enterprise was heralded by a desire by Scottish Government to “declutter the landscape” at a local level, this has now been achieved with a lead role for local authorities. At a national level there remains a significant number of government agencies involved in economic development and employability activity including Scottish Government, Scottish Enterprise, Highlands and Islands Enterprise, Scottish Development International, VisitScotland, Skills Development Scotland, and Scottish Funding Council.

SLAED supports the role of the national agencies, and believes that strong partnerships can be delivered by national agencies working through local authorities as delivery partners. A strong distinction between Scottish Government’s role as a driver of policy and strategy, and the national agency’s role as delivery agents, is beneficial.

The introduction of Government Economic Strategy (GES) has been helpful in focussing the work of national and local agencies on delivering a cohesive vision for Scotland’s economy. The Strategic Forum and Strategic Working Group have assisted in ensuring joined up thinking and delivering GES, and this model has strong potential for further development. The single economic strategy governing the whole country and all agencies is beneficial.

There may be merit in developing a joint action plan/implementation plan for GES, to identify clearly the role of each agency including local authorities in delivering its strategic objectives. SLAED is working closely with Scottish Government, Cosla and the national agencies to help develop the local authorities’ lead role in economic development. It is worthy of note that since the 2007 Review of Enterprise, there has been no published guidance for local authorities on discharging this new remit other
than the high level GES. SLAED and Scottish Government are currently exploring the development of a local authority economic development checklist to help fill this gap.

In terms of supporting major employers, the Scottish Enterprise Account Management system works well, particularly when Account Managers engage effectively with local authorities; help support the development of companies. Where the Account Manager can draw on the support of local authorities in areas such as planning, commercial land and property transactions, regulatory functions, and transport, transportation remits, it is clear that this can help achieve very significant results for the company.

It is essential that tripartite liaison be established in each local area between the Scottish Enterprise Account Managers, local authorities and Business Gateway contractors to ensure a seamless delivery of services to the company sector, without overlap or confusion.

Q12. What should be the role for a publicly-funded enterprise network, what activities should it be expected to deliver and what resources are required? Alternatively, what alternative exists to the current model in Scotland and what benefits would this have?

A12. SLAED supports the continuation of a publicly funded national enterprise agency to act as a strong strategic delivery arm for Scottish Government, working in partnership with local authorities at local level. There remains significant benefit in this being arms length from government, to allow a narrow focus on economic development and enterprise services.

The key role for the enterprise agency is to target investment into the areas which will deliver the greatest economic outputs for the country as a whole, and to support the growth and resilience of key companies. This role is particularly important in times of recession, and a flexible funding model should be developed to ensure that higher levels of funding are available at times of recession, and with commensurate lower levels of funding being provided when the economy is buoyant.

Although the national agencies have a good track record of partnership with local authorities, this could be enhanced in the future, with the relevant agency providing strategic support to the local authority sector through guidance and funding to deliver national initiatives at the local level. A key role could be for the national agencies to play an enhanced role in assessing single outcome agreements to ensure that these deliver economic impact consistent with Government Economic Strategy. The agencies could also take a stronger role in supporting the development of Best Practice and Professional Development throughout Scottish economic development. SE and HIE could also develop a role alongside Scottish Futures Trust in helping develop new funding models for economic development such as Tax Increment Funding.

Q13. Do the enterprise agencies’ methodologies for calculating the return on investment bear scrutiny? Which activities have been identified as delivering most return on investment?

A13. Both Scottish Enterprise and Skills Development Scotland have clearly and concisely outlined in their Business Plan for 2010 the links between activities, outputs
and outcomes. This is helpful to partners as it enables us to better understand their priorities and their fit with our own.

The local authority sector has historically not had common methods for measuring economic impact and return on investment, though through work being carried out by the Improvement Service and SLAED’s new national performance indicators, we are developing a more robust framework for measuring the impact of our economic development interventions. There may be merit in Scottish Government establishing a common framework to be used by all the agencies that are active in economic development.

Appendix One

Introduction

1 The SLAED Business Growth Sub-group welcomes this opportunity to submit evidence to the Economy, Energy and Tourism Committee’s inquiry into the enterprise network in Scotland.

2 In advance of this review the group carried out a short research project to gather evidence on members’ views as to the impact of the 2007 reforms to the enterprise network. The results of this research demonstrate the core role that Local Authorities have within the enterprise network, both in the delivery of direct business support services and as a partner working with other agencies and organisations.

3 The 2007 reforms of enterprise networks in Scotland provided local authorities with the challenge to:

- Promote greater cohesion between Business Gateway services and other locally provided economic development services
- Improve the experience of customers by providing a single point of access for all business support activities, and
- Develop the Business Gateway service in a true spirit of partnership with other agencies and stakeholders (both public and private sector)

4 Evidence gathered by SLAED shows that local authorities have delivered on all three of these key expectations by:

- Promoting business growth as a key budget priority within Economic Development Departments
- Committing significant levels of council resources (some £9.5m per annum) to the provision of a wide range of services which enhance and complement the core Business Gateway offering
- Acting as a lead on projects which draw on available European funds for business support activities (some £14.5m to date over 2007-2013 from ERDF programmes alone),
- Maintaining a high quality of service to Business Gateway customers through the delivery of the core contract
- Improving the ability of the core Business Gateway service to respond to the needs of local business, and
• Integrating Business Gateway within the mix of council services available to business and developing the service in close partnership with other agencies.

**Business Growth as a key budget priority**

5 A 2009 EKOS review of Local Authority Economic Development activity showed the provision of business support services to be a high priority for local authorities in Scotland. The review found that:

• Local Authorities have responded positively to the transfer of Business Gateway responsibility and other aspects of the 2007 reforms, viewing these as having had a helpful impact on the local economy and their ability to provide services.
• Economic development and business support are seen as a higher priority area for councils as a result of the transfer.
• Looking forward, LAs recognised that continuing to deliver and develop services in an era of reduced financial resources is the biggest challenge facing economic development departments. Nevertheless, the majority of authorities remained optimistic about their ability to meet these challenges.
• In order to meet these challenges LAs are actively adapting strategies to reflect the changing economic environment, increasing the priority and role of Economic Development within councils, placing more emphasis on better partnership working and making best use of partner resources.

6 These findings are confirmed by the survey of Local Authorities carried out for this paper:

• Over and above core Business Gateway funding, Local Authorities commit significant levels of financial resources to the provision of business support services in their areas.
• On average, evidence suggests that funds sourced and committed by councils equate to a further 67% over and above the core Business Gateway budget (though the precise ratio varies significantly between areas).
• Grossing up survey results across Scotland as a whole, these findings suggest a total council sourced contribution of £9.5m per annum.

7 The strategic objectives which guide the allocation of these resources vary across Scotland in line with the specific needs of the local economies each authority serves. A review of these objectives, however, does reveal a number of key common messages which reveal the approach local authorities have taken to enterprise development in their areas. Key strategic objectives include:

• Supporting the creation and growth of indigenous businesses
• Growing the base of internationally competitive local firms
• Supporting the development of key clusters and sectors
• Providing assistance to inward investors
• Promoting a culture of entrepreneurship
• Encouraging innovation and knowledge transfer activities
• Promoting measures to diversify local economies
• Introducing recession proofing measures to promote business survival and growth

8 In addition to committing their own funds to such priorities, Local Authorities have also been active and successful in using European Structural Funds to generate resources for business support. Over the last three rounds, successful ERDF applications led by Local Authorities have totalled some £14.5 million. In Lowland Scotland alone, Local Authorities together account for a third of all ERDF funded activity for business support (excluding the Scottish Co-investment fund programme which itself accounts for almost 50% of all ERDF Priority 2 funds allocated to date in Lowland Scotland), a similar proportion to that received by Scottish Enterprise.

9 Projects co-funded through the ERDF programme cover a range of activities from growth advisory services and key sector development activities to loan and investment funds aimed at improving access to finance for SMEs. In many cases the projects represent good examples of partnership working with groups of local authorities and other partners coming together to develop cross boundary programmes. This analysis, it should be noted, may underestimate the full level of European funded business support activity being undertaken by local authorities. Other business growth/business support programmes include those funded through LEADER, ERDF priorities focused on rural or peripheral areas, ESF projects focussed on employee skills development.

10 Within the current context of public sector budget cuts, this ability of local authorities to group together and draw in resources from partner agencies is becoming more important. Indeed working to guidelines developed by SLAED and CoSLA, local authorities are currently responding to a further invitation for round four applications to the Lowland and Upland Scotland ERDF priority 2 programme. Projects funded through this call will focus on business support services which complement and build upon the core Business Gateway offering and will be aimed at services to promote enterprise and increase the growth aspirations of SMEs. These programmes will be active from 1st November this year and are expected to draw upon some £12m of available ERDF funds.

Developing and implementing services to complement Business Gateway

11 The survey of Economic Development departments carried out for this paper reveals the wide range of activities carried out by Local Authorities which are complementary to the services covered by the core Business Gateway contract. The analysis reveals the extent to which councils are responding to the needs of local business and developing new services which complement and add value to the main Business Gateway offer.

12 Findings from the survey show that across the 26 Authorities who have responded, a total of 177 discrete ongoing business support programmes have been identified, an average of almost 7 programmes per area. An overview of these services is provided in Table A1 in an Annex to this report.

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1 Given the way in which some areas group several services under one promotional banner, this average is likely to significantly understate the true number of activities taking place.
Key themes common across local authorities include provision of services to promote access to finance, provide one to one advisory services, develop of key sectors, provide of access to specialist support and supplier development.

- All of the areas who responded to the survey offer a range of grant and loan schemes aimed at improving access to finance for small businesses in their area. These range from large loan funds, such as the West of Scotland Loan fund and the new East of Scotland Investment Fund, to small grant programmes, often targeted at key sectors or focused on supporting investment in staff training or other growth projects.

- Most areas fund the provision of one to one business advisory support over and above that available through Business Gateway. These include services focussed on supporting business start ups as well as programmes to support the growth and survival of existing businesses. Interventions offered in these programmes include advice on business planning, access to finance, relocation advice, specialist support, company health checks and development reviews and other services. In most cases these services are provided through the existing Business Gateway contractor.

- Development of key sectors is a significant priority for many local authorities, with programmes concentrating on tailored services for renewable energy projects, community and social enterprises, food and drink businesses, tourism businesses and others, dependent on the specific needs and strengths of the local economy.

- More than half of the respondents to the survey cited supplier development activities, helping local businesses improve their performance in winning public sector contracts, as a core part of their service mix.

- All of the areas who responded to the survey provide information services to their business community. These range from, at a minimum, internet information portals to guide businesses through the public sector support available to them, to dedicated business information officers. The value of these services and council’s ability to respond quickly to the needs of their local economy has been particularly evident throughout the economic downturn. A recent CoSLA report highlighted a total of 155 individual activities that councils had implemented or planned to support local businesses through the downturn, many of these involving services to complement and enhance the operation of Business Gateway activities.

Ensuring high quality of service to Business Gateway customers

The quality of service provided to Business Gateway customers is monitored through an on-going programme of survey research focussing on individual parts of the service. This programme is carried out by an independent external contractor (IBP Strategy and Research) and comprises a monthly customer feedback survey on the service in general, a monthly analysis of feedback from participants to events and workshops, an ongoing research programme to

2 Source: [http://www.cosla.gov.uk/attachments/execgroups/rs/rsEconomicDownturnreportfeb09a.pdf](http://www.cosla.gov.uk/attachments/execgroups/rs/rsEconomicDownturnreportfeb09a.pdf)
monitor survival rates among Business Gateway customers, an annual survey of clients receiving growth support, a programme of focus groups among key customer groups and an annual mystery shopper exercise.

Over the two years that this programme has been operating the research has confirmed consistently high level of satisfaction among customers. Key messages from the research show that during 2009/10:

- With regard to all customers
  - 91% of all customers were satisfied or very satisfied with the service they received from Business Gateway
  - 91% of customers felt that the service they received met or exceeded their expectations
  - 86% of customers felt that the service they received had benefitted their business.
- With regard to customers receiving growth support,
  - 79% were satisfied or very satisfied with the service they had received
  - Clients reported that the service had helped them improve profitability, win new customers and improve their strategic focus
  - Over three quarters of customers felt the service received had a significant impact on their ability to meet growth objectives. 76% saying that they could not have grown their business without help from Business Gateway or that without assistance growth would have been slower, less effective or on a smaller scale.

In each case these results are significantly above the target levels agreed for the service. Given the timing of transfer of responsibility to local authorities (i.e. only 6 months following the introduction of a new model for Business Gateway), it is difficult to make direct comparisons between customer satisfaction before and after that transfer took place. Results received in the last two years, however, do compare favourably against those achieved under the previous model for Business Gateway provision. A 2006 survey estimated a customer satisfaction rating of some 74% (compared against 91% in 2009/10) while 81% reported that the service had helped them meet their business goals (compared to 86% in 2009/10).

**Improving the responsiveness of Business Gateway to local needs**

In addition to providing services which complement Business Gateway, one key benefit of transfer of responsibilities has been the ability of Local Authorities to improve the responsiveness of core Business Gateway resources to the needs of local businesses. In particular, Local Authorities have been able to:

- Refocus Business Gateway events programmes to reflect the needs of the local economy, particularly in terms of providing advice and support for businesses through the economic downturn;

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3 ‘Business Gateway Strategic Review’, GEN Consulting, March 2006. Given the different methodologies used to generate the 2006 and 2009/10 results some caution should be exercised in interpreting this comparison.
Develop locally co-ordinated marketing activities to promote wider take up of core Business Gateway services and target key sectors in the local area; and,

Introduce of new and refocused advisory services funded through discretionary Business Gateway budgets available to lead local authorities or other sources.

Key examples of the last of these benefits include:

- Provision to support companies whose growth projections fall below the current criteria required for acceptance into Growth Pipeline or who exit from Growth Pipeline without meeting criteria for acceptance to DRM, but can benefit from on-going support. – “Sub growth pipeline” companies.
- Provision of enhanced aftercare services and follow up where support is seen as key to improving survivability rates and encouraging growth within start-up businesses.

Each of these adaptations of the Business Gateway provision have been vital to ensure that the service remains relevant through changing economic conditions and continues to provide a service that meets the needs and expectations of the client base.

Moving forward, the Business Gateway Operational Network of Local Authorities with lead responsibility for the contracts in each area is working hard to ensure that best practice on such adaptations is shared efficiently across the network and that the ability of the service to respond quickly to changes in the market place is preserved. To support this process and assist Government in the planning for the development of the service post 2012 (when current Business Gateway contracts expire), the network is currently undertaking an economic evaluation of the Business Gateway delivery model. This evaluation will assess the cost effectiveness of the service as well as the ability of the current model to address market failures and support Government policy.

Creating greater cohesion in service delivery

The evidence gathered for this paper demonstrates that Local Authority Economic Development departments do not operate in isolation from neighbouring councils and other agencies in the provision of business support services. As a recent SLAED discussion paper notes:

“There is significant evidence of City region collaboration developing effectively across the country… Scottish Enterprise remains a key player in both local JVs and City region collaboration, and this is an area which will grow in the future. At a local level, the third sector, Enterprise Trusts and local Chambers are key delivery partners… Most councils can evidence working on a shared services basis with other local authorities, whether these be through City Regional groupings, national thematic groupings, or local partnerships.”

Specifically, in terms of provision of business support services, the 2009 EKOS survey again demonstrates strong evidence of council’s working in partnership

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4 ‘The changing face of Scottish economic development’ SLAED discussion paper, January 2010
with other agencies. In some areas experience suggests that direct delivery of services by local authorities is the most cost and quality effective means of delivery, in other areas provision by other agencies in partnership with local authorities is more appropriate. Evidence from both the 2009 survey and that collected for this paper shows Local Authorities responding to their own strengths as well as those of partners to find the mix of services which best meets the needs of the local economy.

23 Within Local Authority boundaries, council’s have also worked hard to promote an integrated approach to supporting the growth and development of local businesses. This includes measures to ensure that council services such as planning, environmental health, transportation, licensing, trading standards and others are linked directly to the Business Gateway service. In the best practice examples of this integration, a process of regular information exchange is promoted across council departments to ensure that a single co-ordinated response can be made to any large scale business need.

24 Outside of council services and Business Gateway delivery partners, councils have also developed key linkages between the BG service and a range of other stakeholders. In addition to Scottish Enterprise and Highlands and Islands Enterprise, bodies with close ties to the service include PSYBT, Scottish Chambers of Commerce, Careers Scotland, FE and HE providers, Scottish Prison Service, Federation of Small Businesses, Skills Development Scotland, Job Centre Plus, local business groups amongst many others. These links have been developed both through the efforts of local officers, the Business Gateway Operational Network and through the development of the Business Gateway Stakeholder Group. This last grouping has been particularly important in providing a high level opportunity for stakeholders to offer meaningful engagement with the Business Gateway service.

25 One key way in which the 2008 reforms have assisted in this process is the increase of local autonomy to make and develop partnerships which best meet the needs of the local client base. Such autonomy allows local areas to respond quickly to opportunities which arise and to work closely with those partner agencies which are most active and effective in their region.

26 In these various ways, the evidence shows that local authorities have, since transfer of responsibility for Business Gateway, made significant progress in:

- Providing a single point of access for all locally available business services, and,
- Developing Business Gateway, as well as a wide range of complementary services, in genuine partnership with other agencies and stakeholders.

Conclusion

27 Since the 2007 reforms, Local Authorities in Scotland have worked hard to develop the core role they play within the enterprise networks. In particular, authorities have been active in:

- Promoting business growth as a key budget priority within Economic Development Departments
• Committing significant levels of council resources (some £8.5m per annum) to the provision of a wide range of services to enhance and complement the core Business Gateway offering

• Providing a high quality of service to Business Gateway customers through the delivery of the core contract

• Improving the ability of the core Business Gateway service to respond to the needs of local business, and

• Integrating Business Gateway within the mix of council services available to business and developing the service in close partnership with other agencies.
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Source: SLAED survey, see Annex 1 for details of individual programmes cited

Scottish Local Authorities Economic Development Group (SLEAD), September 2010
SUBMISSION FROM BUSINESS ENTERPRISE SCOTLAND

1. Business Enterprise Scotland is the lead body in Scotland for Enterprise Trusts and also represents the interests of other bodies involved in the delivery of local economic development and specifically Business Gateway (BG). Nearly all of the current BG contracts in Scotland are delivered by BES members, although not all of our members are BG contractors.

2. Enterprise Trusts were created in the severe economic circumstances of the 1970’s and 80’s and were essentially a vehicle to weld the interests of both public and private sectors together on a local basis and provide a catalyst for agreement and action to improve economic performance. By their nature, Enterprise Trusts do not distribute any profits and reinvest any surplus funds in appropriate local projects. They also have a Board of Directors drawn primarily from the local business community. Therefore BES and its members have a particular interest in participating with the Scottish Government and the Economy, Energy and Tourism Committee in reviewing the current arrangements and recent reforms, we also have accumulated extensive experience of local economic development over the past 20 years or so and hope to be able to inform and advise the Committee as it considers these important matters.

3. As Scotland emerges from the most significant recession in recent history, there is an expectation and a focus on enterprise to be the mechanism by which we create economic growth. Over the past twenty years, Government policy has pushed towards developing a more enterprising culture in Scotland. The results of this are beginning to be seen as society is demonstrating enterprising traits. Despite the speed of change, people are adapting more quickly and effectively, learning new skills, displaying confidence to innovate and be more at ease taking risks. Our society is also becoming more entrepreneurial. Recently the rise in business creation is almost completely due to an increase in the number of one person businesses. UK wide, 72% of businesses have no employees and 95% have fewer than 10 employees. Currently over 2.5million business are based from home in the UK this would equate to 150,000 in Scotland or around 50% of SME’s.

4. Arguably, as the attractions of enterprise and entrepreneurship increase, the attractions of employment in large organisations reduce. No longer do large corporations or public sector employers offer jobs for life, steady progression and a guaranteed pension. The assimilation of the so called Generation Y into the economy brings new entrepreneurial motivations, a desire to work for a value based organisation which is environmentally aware and allows for their expectations of social interaction and networking. The domination of employment by large organisations which has been a feature of society post the industrial revolution is no longer the norm. The former head of the Confederation of British Industry (CBI), Lord Digby Jones, claims that small businesses alone will rescue the struggling UK economy. "They are the only ones which create the wealth that can pay the taxes which can repay the public debt.”

In this new economy, we recognise that SME’s;

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6 BIS 2006
7 Enterprise Nation 2010
8 Digby Jones, speaking at the opening of BT’s Small Business Week 2009.
• are an engine of innovation
• the biggest creators of new jobs
• better at moving people into employment from unemployment
• employ more disabled people, females and older people
• offer more flexible employment
• treat people more fairly

5. The BES response attached gives direct answers to the questions posed in the Committee’s “Call for Evidence”, however in summary; we hope that the Inquiry will recognise;

• the importance of SME’s to the Scottish economy
• the fundamental requirement for a single national service for SME support (including company growth) and start-up advice, which is delivered locally
• the need for a structure/network of local partnerships, throughout Scotland which focus on economic development and ensure interpretation of national strategy
• the importance of ensuring the clarity of role and purpose for the various agencies involved in economic development and the introduction of improved joint-working and administration arrangements.

Q1. What impact has the rationalisation of the enterprise network and the abolition of the LEC’s had on the quality or effectiveness of the services delivered.

A1. The impact of the reforms announced by the Cabinet Secretary in 2007 was significant and the implications are still evolving to some extent. Much time and effort has been spent in reorganising in response to these changes and the various partners and agencies involved are still coming to terms with some of the changes and revised working practices.

While there are undoubtedly some good examples of improved local working between Local Authorities (LA’S) and BES members arising from the changes, there is no consistent model of engagement across Scotland and the significant differences of approach and attitude from area to area, has led to issues associated with differentiated services for client companies. It is not unreasonable for some LA’s to invest more in particular aspects of business support in their respective areas, but if this is not placed within an agreed context, the whole principle of a “national” service will be compromised causing confusion to both individuals and company clients and potentially create costly and damaging rivalries between Councils.

The reorganisation of Scottish Enterprise’s (SE) delivery model from a local one to a national or topic based approach, has definitely led to challenges in respect of “account management” and the relationships at a local level with Business Gateway (BG) contractors and other lead participants. Subsequent changes to SE’s working practices have taken little account of the existing BG contract arrangements and it is difficult to see

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9 ONS 2007 Labour Force Survey April-June
how the best needs of the client companies have been considered in making these changes.

Furthermore the abolition of the LEC network has removed an important mechanism where a range of stakeholders, and in particular the private sector, could engage in discussions to interpret national policy and agree local activity in response.

In some areas, LA-led initiatives to establish “Partnership Forums” in various guises have been brought forward, but here again there is no consistent model and no agreed mechanism for such bodies feeding into the development of national strategy. While undoubtedly the former LEC network was expensive to maintain and less effective than it should have been, the subsequent changes have failed to address any of these important structural issues.

Q2. Has the transfer of activities, such as the Business Gateway service, to local authorities improved the delivery of services to local businesses and what evidence is there of this?

A2. The Business Gateway (BG) start-up service has progressed more or less satisfactorily without any significant changes. The external impact of the overall economic position has, of course changed some of the characteristics of the client group, but in overall terms interest has been heightened across all BG areas and the volume of clients progressing to start up has not decreased and may even be increasing according to our latest figures. If this service is to further develop and make a greater contribution to economic recovery in Scotland, we need to:

- Increase access to lending options for would-be entrepreneurs
- Improve links between schools and colleges and the BG service
- Allocate clear responsibility for Enterprise Promotion in Scotland

However, in terms of the service for existing businesses, the situation requires more careful examination.

In positive terms, the recent changes have provided the basis for improved relationships between the relevant LA and BG contractor. In many instances this has helped to focus any LA resources on appropriate client projects more effectively.

From a negative point of view however, the transfer of responsibilities has had a detrimental impact on the relationship between BG, dealing with SME clients and SE which retains account managed responsibilities for higher growth and more significant companies and Lead Local Authorities, who have management responsibility now for the BG budget. The process of getting acceptance for clients into the “pipeline” and subsequently into Direct Relationship Management by SE has been more complex and burdensome than anticipated. This has diverted valuable resources from supporting businesses and caused administrative delays and confusion for clients. With the development of a new approach to marketing SE’s products and services directly to the customer, there are even suggestions that SE is “competing” with BG, in pursuit of clients with growth prospects.

This concern is fuelled by the change in attitude to the BG concept. Originally, it was intended that this “Gateway” would indeed be a portal through which all enquiries from businesses would be routed to simplify the process for clients. An Enquiry Fulfilment and
Resource Service (EFRS) was established to handle and direct calls on behalf of BG. However, the original model has changed and evolved over the past few years and while the EFRS continues to be the recipient of the majority of enquiries arising from BG marketing, its primary purpose now appears to be servicing the promotional objectives of Scottish Enterprise and its various functions and indeed BG referrals are simply the enquiries that SE does not want to deal with directly. To some extent, this approach has led to the alienation of some SME interests as suggested in question 3 below. Meanwhile, many enquiries continue to be generated on a local basis.

Q3. What has been the experience of businesses that are not account managed by Scottish Enterprise/Highlands and Islands Enterprise since the 2007 reforms? Are such companies finding it difficult to attract the support they need from the enterprise agencies and what evidence is there of this?

A3. It is difficult to comment on this question authoritively but there is a growing collection of anecdotal evidence which strongly suggests that some client companies who could benefit from advice and support services are falling outwith the present arrangements due to the specific criteria utilised for “account management” for SE and also the Business Gateway growth criteria within the present contract arrangements.

Much effort has been invested by both the Local Authorities and the BG contractors in trying to modify the terms of the BG contract to widen the scope for client engagement, in recognition of the changing economic circumstances. However, this has been a slow process and is still constrained by the overall contractual requirements and the resources and finance available.

One particular issue which requires attention concerns the criteria for “growth companies” i.e. those businesses which are the agreed primary targets for both Business Gateway and Scottish Enterprise services. Companies that meet the relevant criteria have greater access to advice, products and services. However, these criteria take no account of those businesses in more remote rural areas, which have a disproportionate affect on their local economy. In some areas the “Local Discretionary Service” (LDS) will help BG support such companies, but SE’s account management criteria do not recognise this aspect and therefore companies who fall into this category will never be Direct Relationship Managed (DRM) by Scottish Enterprise.

Q4. How joined up are the various agencies that are now charged with supporting economic recovery? Are there examples of successful partnership working between, for example, SE or HIE and local authorities? How has this establishment of the strategic forum assisted in this regard?

A4. There is no real evidence of clear alignment between the various agencies involved in supporting economic recovery. There are undoubtedly some good local examples of agencies working together, but there is no consistent regional or local model to ensure co-ordination and as a result there appears to be wildly varying experiences across Scotland.

BES members have seen no impact from the establishment of the “strategic forum.”

Q5. What distinctive contribution has been made by HIE as a result of its social/strengthening communities remit? Should the same obligation be applied to SE?
A5. It is not easy to evaluate the contribution of the strengthening communities remit performed by HIE. What is clear is that there is merit in recognising the importance of this aspect of activity, within the economic regeneration context. The key to this being effective would appear to be a simple model of delivery, with clear responsibilities and leadership.

Q6. Have COSLA and SE been able to agree on what constitutes local, regional and national regeneration? Are Local Authorities maintaining levels of local regeneration activities? What benefits have accrued from the transfer of local regeneration activities to local authorities? What has been the impact on regional regeneration projects? Have any regeneration projects failed or been cancelled as a consequence of this transfer of responsibilities?

A6. BES members are not always directly involved in regeneration projects and therefore no comprehensive response is possible. Our general view is that there remains some confusion and a lack of progress generally. However it is not clear as to what impact the transfer of responsibilities has had on this.

Q7. The Cabinet Secretary envisaged that Regional Advisory Boards would provide a link between local, regional and national delivery, how is this working in practice and what links have been provided?

A7. BES members have no knowledge of Regional Advisory Boards and no experience of whether they have satisfactorily provided links between local, regional and national delivery, or not.

Q8. What advantages has the establishment of Skills Development Scotland brought in terms of the delivery of the skills agenda and have there been any difficulties?

A8. There has been little involvement with SDS by BES members. Clearly there is considerable scope for involvement, particularly in relation to support for SME’s and start up clients through the Business Gateway contract, however at the moment this is an area where the relationship is evolving and BES members report little activity in this regard and no real acknowledgement by SDS of their potential interaction with BG or the wider activities of Enterprise Trusts. There appeared to be much more productive links with Learn Direct Scotland.

Q9. How will services be protected in light of any planned further restructuring exercise within Scottish Enterprise and/or Highlands and Islands Enterprise?

A9. The inevitability of reducing budgets and further restructuring will undoubtedly threaten the effectiveness of service delivery. The key will be to:

- Recognise what is important to business (in every study or evaluation of Business Gateway or other support services, it is the face to face advice that has consistently shown up as valued by the client).
- Align not only policy and strategy, but operational delivery amongst the various parties and agencies involved.
- Remove unnecessary administration and clarify lines of responsibility and reporting.
• Restore a framework of local partnerships
• Utilise existing budgets more effectively through better engagement with Enterprise Trusts and other local delivery organisations with established local contacts and knowledge

Q10. Could the Scottish Government’s economic aims be achieved in a different way? Are there more successful or efficient models of delivery in other parts of the world?

A10. The model for economic delivery in Scotland has, at various points over the last 10 years, been the object of admiration from many of our European partners and others. The key to this high regard would appear to be clarity of purpose for all of the agencies and stakeholders involved. With the change in the functions and responsibilities of both SE and the LA’s some of this clarity has been adversely affected and the lack of a national mechanism to co-ordinate and align local effort on a consistent basis from all of those involved, including Skills Development Scotland, Job Centre and others, continues to dissipate effort and act as a drag on operational effectiveness.

The present structure suggests that there is a National, Regional and Local dimension to the delivery of economic development in Scotland. BES’s members’ view is that this is not particularly well defined. We accept and embrace the principles of strategy being set at a national level and that most aspects of that strategy should be delivered at a local level. However, the medium for “interpretation” of national strategy at a local level varies between areas and in many instances changes in tone and flavour depending on the relevant Local Authorities commitment and approach to the issues in its area. This in itself need not be a problem, however it does lead to two specific issues;

i) Differing approaches from area to area can dilute the whole concept of a national service, if they are not kept in context and “co-ordinated” by a central body. Despite efforts to carry out this function through COSLA, it is obvious that differences in approach are beginning to differentiate the service offer. While we would want to encourage Local Authorities to make additional money available to tackle problems specific to their area, we don’t want to return to a situation where LA areas are effectively competing against each other to attract good quality business and start up clients.

ii) On the other side of the equation, the imposition of national characteristics/criteria for supporting business takes no account of the difference in nature between a rural LA and an urban one. Therefore while a small rural company may have a significant impact on its local economy, through creating one or two jobs, and increasing sales by a few thousand pounds, this will not be sufficient to register as a growth prospect under the present national arrangements.

Therefore it is fundamentally important that this critical balance in the relationship between local and national aspects of delivery needs to be clarified and managed.

Q11. Could services be delivered as effectively, with greater efficiency, by a single agency or some other structure with increased share services etc? Conversely, are a single economic strategy and the SE account management model suitable for both Scotland and the Highlands and Islands?
A.11 The search for improved efficiency and effectiveness should always be a top priority for government. Shared services will remain a legitimate tool in this regard and it is difficult to see why a single Scotland-wide agency would not be effective. Scotland is a small country with both urban and rural areas. The rural issues of the Highlands appear not to be significantly different from the rural areas of Lowland Scotland. However a simple reorganisation along these lines will not necessarily improve the impact of service delivery.

Some years ago, Scottish Enterprise had considerably wider responsibilities for service delivery and the perception was that improvement would arise from reallocating some of these responsibilities e.g. Careers Scotland, the Training Agency and more recently the shift in responsibilities for the Business Gateway are notable examples. While some of these changes unquestionably made for improved focus in some areas, the overall effect was for the delivery of many important services to be slowed up, while management and administration adjusted to the new arrangements and in dissatisfaction with short term results led to further reorganisation e.g. Skills Development Scotland. Therefore, while investing more responsibilities and functions for business development in a single body, may prove advantageous, the danger is that it could become overly bureaucratic in its decision making and fail to engage effectively with the main client group.

This does not mean that structural change won’t be required to provide more focus and energy on important aspects of the development of the economy, but such change should only be considered in the full understanding of how disruptive this may be in the short term and what objectives are being sought in the long term.

Q12. What should be the role for a publicly funded enterprise network, what activities should it be expected to deliver and what resources are required? Alternatively, what alternative exists to the current model in Scotland and what benefits would this have?

A12. It is almost self evident that there needs to be a national agency for Scotland which looks at national issues and projects, but also looks internationally at how Scotland can improve its performance and competitiveness in the context of the global economy. However, given the particular interests of its members, BES believes that a publicly funded enterprise network should have a purpose to support the development of a more enterprising culture in Scotland for individuals, businesses and organisations, and that in order to fulfil that role, there should be specific service actions, delivered locally to;

- Promote enterprise in schools and colleges
- Provide an information service that supports and informs everyone interested in starting a business
- Provide a start up advisory service to those individuals who are interested in starting a business or becoming self employed.
- Provide training for potential entrepreneurs
- Be able to harness all subsidies that are available to support people moving into self employment, TFW etc.
- Offer a “differentiated” start up service to those who have prospects of faster and more significant growth.
- Provide an advisory and support service to SME’s, incorporating the provision of information, advice and training in a context to improve all businesses performance and its impact on the local and national economy.
Much of this is already the preserve of and included within services, provided by the Business Gateway and others, however improvements could be made by giving radical consideration to how the various participants in the network relate to each other and what mechanisms are necessary to ensure alignment and compatibility with national strategy. It is in this area that the BES membership is particularly well placed to add value by contributing local delivery network with Scotland-wide coverage which has a lengthy record of engagement with local companies and a corporate governance model, which is closely associated with local business interests.

A13. Do the enterprise agencies methodologies for calculating the return on investment bear scrutiny? Which activities have been identified as delivering most return on investment?

A13. BES members have no particular knowledge or expertise to assess or compare the methodologies used for calculating the return on investment, in public sector agencies. However the need for careful analysis when attributing or claiming success amongst the various publicly-funded bodies is required. Perhaps future corporate objectives should be more heavily directed towards outcomes rather than targets and show a requirement for evidence of partnership working and alignment with other agencies.

Conclusion

6. The move towards creating a single remodelled Scotland wide Enterprise Agency covering both Highland and Lowland Scotland seems reasonable. This agency should be focused on:

- Sectoral Initiatives
- Global Competiveness
- Innovation
- National Projects & Initiatives

7. However in addition and in recognition of the importance of both new businesses and SME’s to the Scottish economy, there should be a strengthened service for Start Up advice and support for SME’s. This should be a development of the present Business Gateway service and be a valid public/private sector partnership, utilising existing networks and delivery arrangements. To be most effective it should address all SME requirements and therefore account management should be under the same management and administration. Therefore in summary the key services provided should be:

- Lead responsibility for the development of an enterprise culture
- Start up advisory service
- Advisory and support service to SME’s in Scotland.

8. It would be sensible for the support of the Social Enterprise sector, to be developed through this mechanism too, to take advantage of the established advice, training and development service for businesses, in this important related field.

9. Strategy and policy should be set at a national level with full involvement with all stakeholders, and delivered at a local level, where local/regional partnership
arrangements should be created to provide a basis to engage all relevant interests in each area and provide a conduit for interpretation of national policy on a local basis and input to the development of national strategy in the other direction. There should be scope for local discretion, but this should be within the context of a well defined national strategy which is “operationalised” for all publicly funded bodies and services.

Business Enterprise Scotland
September 2010
SUBMISSION FROM ARGYLL AND BUTE COUNCIL

INQUIRY INTO SCOTLAND’S ENTERPRISE NETWORK

1. Further to your recent letter with regard to the above Inquiry, Argyll and Bute Council has already provided a detailed officer response through the Scottish Local Authorities Economic Development Group (SLAED).

2. However, I would like to reiterate from the Argyll and Bute area perspective, that greater consistency in business support across the country would be beneficial. At present, different models of business support exist between the respective Scottish Enterprise (SE) and Highlands and Islands Enterprise (HIE) areas. In the SE area, clients in Business Gateway’s growth pipeline can access SE products before they move into account management. In contrast, in the HIE area, Business Gateway growth pipeline businesses generally receive no equivalent HIE products, just Business Gateway adviser support, unless they are in a fragile area or fall under the communities remit.

3. The overall response from SLAED does not recommend giving SE a Social/Strengthening Communities remit as it would lead to duplication. However, Argyll and Bute Council has worked effectively with HIE with regard to community development over many years. In particular, Business Gateway Argyll and Bute acts as a portal for all business support in the HIE area. Referrals are then made to HIE or other social enterprise support, such as the newly established Social Enterprise Team within the Council and/or Argyll and Bute Social Enterprise Network (ABSEN) as required. Generally Business Gateway will provide the business support, access to workshops etc and HIE can provide funding to a small proportion (not all) of community development projects/social enterprises. I believe this is an approach that could be mirrored in the SE area.

4. In addition, although Business Gateway in Argyll and Bute has only been operational in the area for just over a year, partnership working is becoming established through initiatives such as Partnership Action for Continuing Employment (PACE) and the local Tourism Strategic Partnership.

Argyll and Bute Council
September 2010
SUBMISSION FROM COMHAIRLE NAN EILEAN SIAR

1. Comhairle nan Eilean Siar (the Comhairle) welcomes the review “of the purpose of an enterprise agency...” being undertaken by the Economy, Energy and Tourism Committee. The review is timely and offers the opportunity to take a fundamental look at the Enterprise Networks and whether the approach they provide offer the best organisational methodology to support future economic growth and development. In particular the Comhairle would ask that the Committee thinks carefully about the islands and peripheral parts of the Highlands and Islands and to consider if there are better alternatives for the provision of development support services in these areas.

2. The Comhairle’s approach to the Enterprise Network and our response to this call for evidence is informed by the economic reality facing the Outer Hebrides and the need for a fundamental rethink in regard to how islands and other peripheral areas are supported.

3. The economy of the Outer Hebrides has lagged significantly behind that of the Highlands and Islands and the rest of Scotland. The economy has over the past decades performed consistently at around 65% of UK GDP. The area is heavily dependent upon the public sector and is characterised by declining primary industries; high business costs (particularly transport and fuel costs) and slow uptake of opportunities arising from growth sectors such as the renewables sector. This weak economic performance has manifested itself in sustained population decline and in particular, the loss of young people to the community and to local businesses.

4. That on-going weak economic performance suggests a failure of economic policy in the islands over an extended period and over successive political administrations. It may be that more radical policy prescriptions, resourcing and organisational approaches are required if impacts are to be made to the historical economic position. The Outer Hebrides (indeed all the fragile areas within the Highlands and Islands) have the potential to make a greater contribution to their own and to national economic growth if the appropriate local controls and appropriate local policies are in place.

5. From a fundamental, first principles analysis the Comhairle is of the view that the Outer Hebrides and the Scottish Government’s economic aims, as they relate to the islands, would be best delivered through the Local Authority. Before addressing that critical issue, however, the following section provides commentary on the value of the recent reforms.

VALUE OF RECENT REFORMS

6. It is the Comhairle’s analysis that Highlands and Islands Enterprise (HIE) has lost touch with the business base in the Outer Hebrides, with significant numbers of businesses believing that HIE has little relevance to their development aspirations. It is a widely-held view amongst account and non-account managed companies that HIE’s present strategy has little local relevance and is more geared towards serving the urbanised areas around
Inverness and the Inner Moray Firth rather than the islands and the remote and fragile areas of the west Highlands and Islands. Many local businesses have observed multi-million pound investments in and around Inverness, while local businesses are only able to attract, at best, very limited support. More than one local business person has referred to HIE as the “Inverness Development Agency”.

7. These anecdotal observations are borne out by a review of HIE’s recent approvals listing. Approvals for the 18 month period covering January 2009 – June 2010 are presently posted on the HIE website (www.hie.co.uk/About-HIE/funding-approvals.htm) and show a total of £350k of direct business support being made available in 15 interventions – 11 business development cases and four staff development cases. At a time of economic slow down, in an already challenged economy, this would appear to be a disappointing and dispiriting level of activity and intervention. This compares poorly to the circa £3m per annum level of funding that HIE use to inject into the business and wider community of the Outer Hebrides.

8. Outwith direct business intervention the HIE area office approved total funding of £2.7m over that same 18 month period. Of this £1.6m went to the Connected Communities broadband project and £599k to various community interventions. That level of intervention compares badly with the (just short of) £10m invested in the Inverness and Moray areas over the same period. These comparative levels of investment would appear to bear out the view held in many local businesses that HIE is focussed on the Inverness area rather than the more challenging peripheral parts of the Highlands and Islands.

9. Inevitably the £40m reduction in Grant In Aid available to HIE will lead to reductions in support across the Highlands and Islands. Given the disparity of investment between the Outer Hebrides and the Inverness area, however, it is difficult to read that disparity as anything but the outcome of policy and strategy.

10. There is also a widespread view that HIE have lost the ability to innovate and be proactive. Many in the local business community have looked to the Comhairle to fill the void. The Comhairle has, therefore, sought to react to the reduced role of HIE by accelerating and bringing forward a range of interventions, both to assist sectors with particular challenges and to help alleviate some of the impacts of the economic slowdown. Examples of that innovation include:

- Introduction of the Community Fisheries Quota Scheme
- Introduction of the Harris Tweed Investment Fund
- Introduction of the Outer Hebrides Business Support Programme
- Introduction of the “Cearcall na Gaidhlig” tourism information initiative
- Development of the state of the art Creative Industries and Media Centre
- Successful bid to the Scottish Government’s Town Centre Regeneration Fund
- Leadership of the Hebrides Range Taskforce.
11. In many ways HIE no longer provides the role of local economic development leader. There is little doubt that the rationalisations of the enterprise network and the abolition of the LECs has had a significant impact in the Outer Hebrides. Any form of local control or autonomy appears to have disappeared, with the organisation working to what many regard as a rigid, centralised strategy to the detriment of local knowledge-based strategic development. Whether this is a result of rationalisation or HIE’s own interpretation of the requirements of the Government’s Economic Strategy it is hard to judge. Related to this issue, many businesses also raise fundamental questions about the influence Edinburgh-based Civil Servants may be having on the day-to-day operations of HIE.

12. Despite the preceding strategic-level analysis, at operational level, the Comhairle very much acknowledges the dedication and professionalism of HIE staff in the Outer Hebrides. The Comhairle has excellent working relationships with HIE staff and very much views the co-location of HIE and the Comhairle’s business development (Business Gateway) staff as a model of joined-up inter-agency working.

13. Comhairle and HIE staff work closely together with a high level of information and dialogue exchange. HIE, for example refer all enquiries to Business Gateway in the first instance whereas, prior to the 2007 reforms, there would have been little information exchange in regard to a mutual client’s business enquiry.

14. The transfer of Business Gateway to the Local Authorities in the Highlands and Islands has been a positive experience, with delivery and service improving dramatically. The first year of Business Gateway saw the gradual reinstatement of services to small businesses which had been previously delivered by HIE. It has also led to additional services and new EU funding streams being rolled out. The Business Gateway website is a tremendous resource to which all clients are signposted.

15. Quality Assurance independently carried out by IBP Academy on behalf of the national Business Gateway team through monthly surveys of all enquirers shows extremely high levels of satisfaction with the service provided in the Outer Hebrides, with many categories scoring 100% satisfaction.

16. Post-reform, it would appear that businesses that are not “Account Managed” are simply not engaged with by HIE, regardless of the perceived quality of the project. Business Gateway has experienced difficulty in having businesses accepted by HIE into Account Management through Growth Pipeline – or even gaining recognition that it is appropriate for a business to enter the Growth Pipeline. Businesses not account managed by HIE, or not eligible to be account-managed are automatically referred to Business Gateway. Co-location has made this process easier for the businesses, and had more of a positive impact for the business rather than a negative one by being turned down or being ineligible for account management.
17. In order to help bridge the gap in funding support, the Comhairle successfully applied for ERDF, leading to creation of the Outer Hebrides Small Business Assistance Scheme (OHSBAS), which has led to an increase in enquiries from both new and existing businesses. Enquiries so far in 2010 are over 30% up on 2009 and there has been a further increase since the announcement of new funding through OHSBAS.

18. At operational level there are many examples of successful partnership working between the Comhairle and HIE. These examples range from work on European programmes through to the recent successful Hebrides Range Taskforce campaign, which worked to secure the future of the Hebrides Range in the Uists and Benbecula.

19. It is important to note that local regeneration services only transferred to Local Authorities in the Scottish Enterprise area and that these functions did not transfer in the HIE area. There has been little discernable impact arising from the establishment of the Regional Advisory Boards.

20. Skills Development Scotland (SDS) has been slow to emerge and create a distinctive identify. It is recognised, however, that SDS was formed as the economy went into recession and that the organisation focused its efforts on mitigating impacts. Over the past period there has been excellent interaction and co-operation between SDS and the Comhairle, leading to the recent signing of a “Partnership Agreement”. This was the first such agreement between SDS and a Local Authority in Scotland and this framework lays the ground for on-going joint activity and partnership working.

**FIRST PRINCIPLES ANALYSIS**

21. As overviewed at part 1 to 4 of this response it is the Comhairle’s view that the present functions of HIE would best be delivered through the Local Authorities. There are a number of strategic and policy reasons for this.

22. It is important that success is acknowledged and HIE has had some excellent success in Inverness and other parts of the Highlands and Islands. The City of Inverness has been economically transformed over the past period. HIE can take much credit for this success – their focus and resource allocation has been essential in ensuring that transformation. That acknowledged success should now, however, result in a reduced focus on the Inverness area, with the same level of focus, concentration and resource now transferred to the islands and the peripheral parts of the mainland.

23. In the Outer Hebrides, however, it is clear that population trends remain stubbornly downwards and that economic indicators continue to lag significantly behind comparator areas. Although HIE have had a number of local successes (such as their investment in the Arnish Point manufacturing facility and their commitment to providing advance office / factory facilities) the overall performance of the economy suggests that present policy tools are not working and have not been working over an extended period of time in the Outer Hebrides. If the policy tools are not working, they should be fundamentally redesigned.
24. Decisions on too many policy issues that fundamentally affect the Outer Hebrides are taken out-with the Outer Hebrides – be that in Brussels, London, Edinburgh or Inverness. To positively impact on the economic situation of the islands, it is the Comhairle’s view that policy formation and decision-making has to become more islands-based, albeit within the framework of national economic policy.

25. To assist in combating some of these issues the Comhairle is of the view that HIE’s functions would best be placed with the Local Authority.

26. Amalgamating HIE functions into the Comhairle would allow efficiencies to be achieved within the local public sector, would allow greater coherence in local strategy and would help focus and consolidate local effort. It would allow greater focus on specific areas within Government Economic Strategy (such as Population, Solidarity, Cohesion and Sustainability) which HIE have never been fully comfortable with and which are already closer to Local Authority core functions.

27. For an area like the Outer Hebrides it makes strategic sense to consolidate the public sector due to the geographical factor – there are few opportunities for the Comhairle, for example, to partner with a neighbouring Local Authority. The opportunity lies in various public sector organisations coming together for the greater good. Amalgamating HIE efforts in the Outer Hebrides with the Comhairle would appear to offer the most appropriate way forward.

28. Over the next period there are significant new opportunities, which will emerge through a range of areas. Some of these opportunities can be summarised as follows:
   - Completion of the Creative Industries and Media Centre
   - Expansion of aquaculture - both growing and adding value
   - Continued tourism growth, with added impetus through Islands Culture 2011
   - Regeneration of Lews Castle
   - Development of the renewables sector through the implementation of commercial and community on-shore wind projects; capturing marine energy development and developing manufacturing potential at Arnish Point
   - Development of activity at Lews Castle College
   - Commercialisation opportunities at Hebrides Range
   - Expansion of the Harris Tweed industry

29. It is instructive that the majority of these development opportunities are being pursued and led on by the Comhairle. Integrating HIE functions into the Comhairle will offer the best opportunity to maximise on these opportunities and would increase capacity to deliver agreed outcomes.

30. Any transfer of functions should be appropriately resourced, with scarce resources targeted on areas of greatest need.

31. If a transfer of functions were to proceed it would be essential that a strategic national function be retained. In the Comhairle’s view this national function would be best housed within the Scottish Government itself, rather than the existing quango-led approach. This would ensure that a national perspective is brought to bear on regional and local economic policy.
32. Related to this the Comhairle would advocate that the Scottish Government retains a “national investment fund”, which would be available to invest into strategic national and regional priorities. That “national investment fund” would be used to bolster and enhance Local Authority investment, if a significant strategic development was being undertaken in any particular Local Authority area.

33. Although not wholly appropriate or replicable to the local situation it is worth noting that the UK Government through the Budget Document sees the creation of “Local Enterprise Partnerships” as the way forward in England and Wales. Page 31, paragraph 1.89 of the document states: “The Government will enable locally-elected leaders, working with business, to lead local economic development. As part of this change, Regional Development Agencies will be abolished through the Public Bodies Bill. A White Paper later in the summer will set out details of these proposals. As part of this, the Government will: support the creation of strong local enterprise partnerships, particularly those based around England's major cities and other natural economic areas, to enable improved coordination of public and private investment in transport, housing, skills, regeneration and other areas of economic development; consider the most appropriate framework of incentives for local authorities to support growth, including exploring options for business rate and council tax incentives, which would allow local authorities to reinvest the benefits of growth into local communities; and as part of the shift to a more locally driven planning regime, promote the role for a simplified planning consents process in specific areas where there is potential or need for business growth, through use of Local Development Orders."

34. If HIE were to remain in place, the Comhairle would advocate a review and redrawing of the HIE boundaries. The present fragile areas map perhaps offers an appropriate geography around which to focus HIE.

35. If HIE remains in place, the Comhairle would also advocate that the HIE headquarters be moved out of Inverness and re-established in the heart of the fragile area. The Comhairle would advocate South Uist, being one of the most economically challenged locations in the Highlands and Islands, as offering an ideal locational choice – indeed there is an excellent advance office facility in Daliburgh that would serve as an ideal headquarters for HIE.

36. The Comhairle would be highly concerned if HIE were to be amalgamated with Scottish Enterprise. This would represent the worst possible outcome as it would inevitably lead to all focus being lost in relation to the critical issues that face island economies and communities.

Comhairle nan Eilean Siar
September 2010
SUBMISSION FROM EAST LOTHIAN COUNCIL

“A fundamental review of the purpose of an enterprise agency and the success of the recent reforms”.

Key questions

Q1. What impact has the rationalisation of the enterprise network and the abolition of the LECs had on the quality or effectiveness of the services delivered?

A1. The 2007 Scottish Government review brought about a significant change in Scottish local and national economic development. East Lothian Council supports this approach of enabling policy and activity to be delivered at the local level so focusing on business interventions that can make a difference on-the-ground.

In addition, East Lothian Council Economic Development has delivered the Business Gateway contract in the local authority area for a number of years and working with partners in the delivery and management consortia has been facilitated by the review.

However we note and regret the reduction in local economic development expenditure as a result of this rationalisation.

Q2. Has the transfer of activities, such as the Business Gateway service, to local authorities improved the delivery of services to local businesses and what evidence is there of this?

A2. East Lothian Council is a delivery body for the Business Gateway contract and has extensive experience of working with start-up and growth businesses through this and other mechanisms. Although the service provided to clients has not been affected, we welcome the transfer of local Business Gateway contracts to lead local authorities to enable delivery according to local needs as far as possible.

High levels of contract performance and customer satisfaction have been maintained in Lothian since the transfer of activities took place and should be noted.

Q3. What has been the experience of businesses that are not account-managed by Scottish Enterprise/Highlands and Islands Enterprise since the 2007 reforms? Are such companies finding it difficult to attract the support they need from the enterprise agencies and what evidence is there of this?

A3. Experience suggests differences in the application of acceptance criteria across Scotland and clarity would enable local businesses demonstrating growth to be better advised. Also, the growth criteria set are not understood by local businesses. Companies not meeting the strict SE growth criteria cannot be helped via the current Business Gateway contract with gap support provided through lead and other local authorities, especially important during the current economic downturn.

Although Business Gateway is beginning to focus on marketing services to all businesses, it is important that locally the message of support for all is reinforced. An exit strategy from account-management to local authorities would help businesses.
Q4. How joined up are the various agencies that are now charged with supporting economic recovery? Are there examples of successful partnership working between, for example, SE or HIE and local authorities? How has the establishment of the strategic forum assisted in this regard?

A4. East Lothian Council Economic Development is involved in a number of initiatives with other local authorities – eg. Tyne/Esk Leader programme with Midlothian Council, Edinburgh Science Triangle (West Lothian, Midlothian, City of Edinburgh Councils), East Company Growth Forum. A recent development is the joint ERDF bid with other Lothian local authorities, Fife and Scottish Borders Councils for additional business support and the formation of East Coast Renewables.

East Lothian Council Economic Development staff are involved in SLAED main group and other group initiatives.

Enterprise and Skills is one of the themes of the East Lothian Community Planning Partnership Single Outcome Agreement and this is delivered by the Enterprise & Skills Advisory Group and members are drawn from public sector agencies and private sector representative organisations.

Q5. What distinctive contribution has been made by HIE as a result of its social/strengthening communities remit? Should the same obligation be applied to SE?

A5. N/A

Q6. Have COSLA and SE been able to agree on what constitutes local, regional and national regeneration? Are local authorities maintaining levels of local regeneration activities? What benefits have accrued from the transfer of local regeneration activities to local authorities? What has been the impact on regional regeneration projects? Have any regeneration projects failed or been cancelled as a consequence of this transfer of responsibilities?

A6. East Lothian has never been a significant focus for regeneration support from national bodies and therefore additional funding has enabled the local authority to provide extra business development support.

It should be noted that Scottish Enterprise is involved in nationally-significant projects and in priority sectors, not well-represented in East Lothian. For example, the tourism product apart from golf does not merit attention. Constraints around infrastructure limit the potential of East Lothian to develop.

Q7. The Cabinet Secretary envisaged that Regional Advisory Boards would provide a link between local, regional and national delivery. How is this working in practice and what links have been provided?

A7. Local authority representation on Regional Advisory Boards has been limited. Regular meetings with SE’s senior team and the Council’s Board of Management and senior elected members has enabled an enhanced level of awareness of the issues. The
Scottish Enterprise Regional Director sits on the Community Planning Board and SE contributes to the Enterprise & Skills Advisory Group.

**Q8. What advantages has the establishment of Skills Development Scotland brought in terms of the delivery of the skills agenda and have there been any difficulties?**

A8. Although the transition to SDS took time, a single point of contact has helped with understanding and information-sharing, especially with regard to the MCMC target group. An approved Service Delivery Agreement between East Lothian Council and SDS is now in place.

**Q9. How will services be protected in light of any planned further restructuring exercise within Scottish Enterprise and/or Highlands and Islands Enterprise?**

A9. n/a

**Q10. Could the Scottish Government’s economic aims be achieved in a different way? Are there more successful or efficient models of delivery in other parts of the world?**

A10. Examination of other models may be worthwhile but national agenda-setting with local delivery seems the most effective means of ensuring business needs are addressed.

**Q11. Could services be delivered as effectively, with greater efficiency, by a single agency or some other structure with increased shared services etc? Conversely, are a single economic strategy and the SE account management model suitable for both Scotland and the Highlands & Islands?**

A11. Local delivery and priorities according to local circumstances with cognizance taken of the national picture appears to be an effective and efficient means of delivery – with reference to Community Planning and the Government Economic Strategy.

Some examination must be made of the plethora of national bodies involved to some extent in delivery and development of economic development interventions. Examples are Scottish Government, SE, HIE, SDI, VisitScotland, Department for Work and Pensions and more specifically Scotland Land of Food & Drink, EventScotland *inter alia*.

More flexibility in the application of SE account management criteria would help local growing businesses survive in the current economic climate.

**Q12. What should be the role for a publicly-funded enterprise network, what activities should it be expected to deliver and what resources are required? Alternatively, what alternative exists to the current model in Scotland and what benefits would this have?**

A12. Delivering on national priorities must remain a role for either the Scottish Government or a national body such as Scottish Enterprise with resources provided for local delivery via Community Planning Partnerships.
Given the current economic circumstances, it is important that businesses requiring intervention are supported as flexibly as possible to prevent job losses and investment being lost.

**Q13.** Do the enterprise agencies’ methodologies for calculating the return on investment bear scrutiny? Which activities have been identified as delivering most return on investment?

A13. Consistency and clarity on how outcomes are measured are required nationally and locally. Reference should be made to the project by the Improvement Service and SLAED on the development of new national performance indicators.

East Lothian Council  
September 2010
A fundamental review of the purpose of an enterprise agency and the success of the recent reforms

Q1. What impact has the rationalisation of the enterprise network and the abolition of the LECs had on the quality or effectiveness of the services delivered?

A1. Since 2007 and the abolition of the LECs, Fife Council and the Business Gateway in Fife have stepped up to ensure the quality and effectiveness of the services previously delivered by the enterprise network continue. New partnerships have been established with the Fife Economy Partnership and Opportunities Fife. These partnerships have agreed new strategies – The Fife Economic Strategy and the Opportunities Fife Strategy. Three years later that transition is complete and the action plans to implement these strategies are underway.

A number of strategic joint ventures with Scottish Enterprise (The Fife Energy Park, Strategic Employment Land and the St Andrews Partnership) have been developed and deliver real economic benefits to the Fife community.

However the downside of the rationalisation of the enterprise network is that there are far fewer Scottish Enterprise resources (both people and budget) to support economic development in Fife than when Scottish Enterprise Fife existed. Economic development including Tourism support is a priority service within Fife, but a discretionary service. As such its priority and the level of investment vary across authorities. By making economic development and tourism a statutory duty or power, this inconsistency would be reduced.

Q2. Has the transfer of activities, such as the Business Gateway service, to local authorities improved the delivery of services to local businesses and what evidence is there of this?

A2. Prior to 2007 Fife Council had worked in close partnership with Scottish Enterprise Fife to deliver a range of Business Gateway services to businesses, sharing premises, information and staff. Both organisations were shareholders in the joint venture company. In consequence, in Fife, the transfer of Business Gateway Services to the local authority was achieved with minimum disruption to local services.

Subsequently, Business Gateway has maintained and exceeded targeted levels of performance. Furthermore, the transfer has allowed greater integration with council service delivery including its scheme of financial assistance to business, culture of enterprise, key sector initiatives, procurement and business rates relief. This has strengthened the role of the Business Gateway as the principal entry point to these.

Local business led sector initiatives have continued and strengthened with a stronger focus on renewable energy and tourism as growth sectors for Fife.

Q3. What has been the experience of businesses that are not account-managed by Scottish Enterprise (SE)/Highlands and Islands Enterprise since the 2007 reforms? Are such companies finding it difficult to attract the support they need from the enterprise agencies and what evidence is there of this?
A4. There is a perception in the business community that companies that do not meet the criteria for entry to the Growth Pipeline or DRM (Designated Relationship Management) have found it more difficult to access support from Scottish Enterprise. This has been highlighted by the economic downturn, with fewer companies able to achieve the growth criteria for entry to SE product intervention and programmes.

In response, Fife Council developed through Business Gateway channels, a sub-growth pipeline advisory service for companies capable of achieving an increase in turnover of £200,000 to £400,000. In addition, we have implemented a local complementary service to provide an Expert Help specialist service to support the growth of this business cohort.

Fife Council has also developed a new business database and relationship management system for the Top 100 companies in Fife. In addition, a range of key sector initiatives delivered in partnership with Business Gateway has enabled engagement with several hundred companies in group activities and industry specific events.

Q5. How joined up are the various agencies that are now charged with supporting economic recovery? Are there examples of successful partnership working between, for example, SE or HIE and local authorities? How has the establishment of the strategic forum assisted in this regard?

A5. During 2009 Fife Council established a short life project team charged with supporting economic recovery to deliver a range of activities. Fife Council was aware and supported Scottish Enterprise’s support for economic recovery, working on a number of joint activities.

As mentioned in the response to Question 1 there are a number of strategic joint ventures with Scottish Enterprise in Fife (The Fife Energy Park, Strategic Employment Land and the St Andrews Partnership) which have developed and matured since 2007 and deliver real economic benefits to the Fife community. However, the resource transfer to local authorities was not commensurate with previous spend on local economic development which has subsequently reduced activities.

Scottish Enterprise is a partner in the Fife Economic Partnership and input into the production of the Fife Economic Strategy in 2009. There is effective collaboration to successfully deliver the joint ventures mentioned above. Scottish Enterprise continues to work with the growth companies in Fife and deliver industry activities that benefit all Fife companies within that industry. There is regular liaison between Scottish Enterprise and Fife Council to inform on progress in the delivery of these activities.

There are a number of national working groups that have emerged since 2007 – both strategic and operational. These have effectively contributed to the successful transition to local authority delivery of economic development and the refocused role of Scottish Enterprise. However as this transition comes to an end, there is a need to review their remits and memberships to ensure the most effective use of private and public sector time invested in them. For the next few years, there is need for focus on minimising the economic impact of the prioritisation of public sector budgets on Scotland’s competitiveness.

Q6. What distinctive contribution has been made by HIE as a result of its social/strengthening communities remit? Should the same obligation be applied to SE?
A6. Scottish Enterprise is now focused on strategic economic development and its work with growth companies and on national projects. In Fife this is as a partner is the Community Planning Partnership. The Building Stronger Communities agenda has a clear position on the role of Local Authorities in this area. There is no requirement to apply this obligation to Scottish Enterprise.

Have COSLA and SE been able to agree on what constitutes local, regional and national regeneration? Are local authorities maintaining levels of local regeneration activities? What benefits have accrued from the transfer of local regeneration activities to local authorities? What has been the impact on regional regeneration projects? Have any regeneration projects failed or been cancelled as a consequence of this transfer of responsibilities?

Agreement has been reached and Fife Council is clear on what constitutes local and national regeneration.

Local regeneration activities in Fife have increased and broadened in Fife through the delivery by Fife Council. Catalysts for this have been the Building Stronger Communities Strategy agreed in 2009, the Fairer Fife Framework and the knowledge transfer facilitated by the Scottish Centre for Regeneration. As a consequence there have been a number of successful applications to external funds such as the Town Centre Regeneration, Fairer Scotland and Future Jobs funds and internal budgets prioritised in these areas.

A number of regional regeneration projects in Fife were cancelled in 2008/09 as Scottish Enterprise prioritised its interventions for example in St Andrews. There is a pipeline of regional regeneration projects such as Westfield and Rosyth which historically would have been delivered jointly by Fife Council and Scottish Enterprise. Due to budgetary constraints these projects are not progressing as rapidly as anticipated.

During 2006/07 Scottish Enterprise Fife (SEF) invested £7.1m in Fife directly in business related activities and projects (roughly a 50:50 split). The strategic investment plan activities leveraged a further £14.5m investment in Fife. During 2009/10 £300,000 (which is less than 5%) of this direct investment budget transferred to Fife Council. In parallel, however Scottish Enterprise continues to invest heavily in the national Fife Energy Park project in terms of the joint venture with Fife Council.

Q7. The Cabinet Secretary envisaged that Regional Advisory Boards would provide a link between local, regional and national delivery. How is this working in practice and what links have been provided?

A7. Fraser Philips, chair of the Fife Economy Partnership and Cllr Tony Martin, as Fife Council spokesperson, have been members of the Regional Advisory Board for the East region for the last two years. This was set up to enable useful communication on strategic priorities and to act as a link between the local and regional perspectives. There is question whether the Regional Advisory Board has realised its potential as a forum to stimulate and encourage strategic projects.
Energy Park Fife is an example of a joint venture with Scottish Enterprise that is a national project where its ongoing successes will come from effective links between delivery at local, regional, national and international levels.

A model that represents both the Regional Advisory Board and local economic partnerships is worth further investigation to ascertain if it might provide more effective linkages between local, regional, national and international delivery. Ultimately the purpose of the regional advisory board must be to create greater confidence amongst local businesses and economic partners that opportunities to improve regional and Scottish competitiveness are being identified and followed through to successful delivery.

Q8. What advantages has the establishment of Skills Development Scotland brought in terms of the delivery of the skills agenda and have there been any difficulties?

A8. The concept of combining the various agencies involved in careers development, learning and skills development works – the multiple agendas are replaced by one. The strategy for Skills Development Scotland clearly states its goals and outcomes. This clarity enables partners to fit their services to these. Skills Development Scotland has also agreed to a suite of reports that are regularly disseminated not just internally but externally such as their Regional Stakeholder Briefings.

However the transition has not been as smooth as with the Business Gateway. Service Level Agreements have not yet been agreed with all Local Authorities. Again there has been a noticeable difference with the level of resources – both people and budget on the ground. Fife operates a successful Opportunities Fife Partnership which has agreed a Fife wide strategy to ensure employability and skills related activities are coordinated towards achievement of the same goals and objectives, underpinned by the Government Economic Strategy.

Skills Development Scotland now has a less active presence at a local level. Again joint working is based on historic projects and activities and there is little in the way of new investment proposals emerging. Skills and employability practitioners have concerns about the long term effect on the agency's role going forward. Within Fife, Opportunities Fife has jointly worked with both suppliers and employers to identify new skills requirements emerging for the Renewables sector. For Tourism the other key sector in Fife, the St Andrews Skills Academy is an ongoing joint venture with Skills Development Scotland.

Q9. How will services be protected in light of any planned further restructuring exercise within Scottish Enterprise and/or Highlands and Islands Enterprise?

A9. The protection of services currently delivered by the Business Gateway or Fife Council direct is now affected by the proposed budget prioritisation that all local authorities now face rather than any further reorganisation of Scottish Enterprise. Economic development and regeneration are a high priority for Fife Council but not immune from the scrutiny that will be afforded to all aspects of Fife Council operations during the period 2010 - 2014. During this period the Business Gateway contract is due to be re-tendered and the current approach for Regional Selective Assistance and European Funding will be reviewed offering further risk to the current level of economic development services in Fife.
The current Scottish Enterprise structure now has most impact on Fife’s growth companies as defined by Scottish Enterprise, the innovation and commercialisation activities they undertake and projects, which are one offs. The level of activity is determined not just by the Scottish Enterprise structure but also the prioritisation of human resources within it. As previously mentioned the pre-existing working relationships between Fife Council and Scottish Enterprise Fife generated a pipeline of innovative project ideas – not just local but also regional and national. Further restructuring would potentially compromise the ongoing joint working that has survived and therefore a period of stabilisation would be welcome to reinforce and strengthen the relationships that underpin this.

Since 2007 it has become accepted that the major delivery channel for economic development in Scotland is now the local authorities. These, through the Business Gateway, act as first point of contact for all businesses in Fife for a range of services that include but are not limited to economic development. The changes to the planning process for major projects is resulting in a wider facilitation role for Local Authorities for these major projects that require not only a cross service response from the council but also input from partner organisations.

Fife Council would like to see any future restructuring undertaken in response to more structured business demand such as from a competitiveness survey similar to that undertaken in Ireland or Australia. Also the use of such a business survey would assist in prioritising the development of new economic development interventions particularly to tackle the cost efficiency of businesses in Scotland. The businesses surveyed need to be a wider, more representative group than just the growth companies in growth sectors with a relationship with Scottish Enterprise to reflect the importance of quality of life on Scotland’s future prosperity.

Q10. Could the Scottish Government’s economic aims be achieved in a different way? Are there more successful or efficient models of delivery in other parts of the world?

A10. The new model for delivery of economic development in Scotland where Scottish Enterprise is the strategic agency delivering national projects and local authorities are the main delivery on the ground is effective. Closer alignment of the strategic agendas for the national agencies to provide even greater focus and shared services supporting their delivery is worth further consideration as a means of further reducing their resource requirements.

A single entry point for businesses to access not just economic development but public sector services; consistent incentives across Scotland and business minded local government processes have long been sought by businesses in Fife as elsewhere in Scotland. These factors are in effect the guiding principles of any delivery model. The Government Economic Strategy has had a unifying effect – providing a common purpose, objectives and measures.

The increased role of local authorities has confirmed that growth companies and sectors are only part of the solution to sustainable economic growth for Scotland. Local companies and sectors that contribute to quality of life such as retail or personal and leisure services have an equally important contribution to Scotland’s future prosperity provided they are distinctive, innovative, and competitive.
It is a given that there are 32 local authorities in Scotland so that national engagement with all of them individually is a resource intensive process. This is not sustainable in the current climate of public sector budget prioritisation and there is a risk that it leads to “patchy” coverage of national initiatives. It is suggested that there is a role for stronger regional procurement coalitions of local authorities such as in the model of the shared Business Gateway contracts. Shared contracts for other economic development services could be explored as a possible means of delivering increased quality of service at reduced cost as well as reducing the burden of the tender process on individual local authorities. However there is a risk with this type of approach that the current level of accountability is reduced.

Q11. Could services be delivered as effectively, with greater efficiency, by a single agency or some other structure with increased shared services etc? Conversely, are a single economic strategy and the SE account management model suitable for both Scotland and the Highlands & Islands?

A.11 Scottish Enterprise and its network of local enterprise companies and partners with its wide economic development remit resulted in a confused and cluttered landscape of services and brands. The tightly focused role for Scottish Enterprise, Skills Development Scotland, Visit Scotland and Scottish Development International has resulted in a greater delivery role for local authorities that works. However a joint regional action plan clearly setting out the role of each agency including local authorities would bring further clarity and assist with prioritisation. This would guide local authorities on how best to discharge their economic development remit.

A focus on growth alone will not deliver sustainable economic growth to all regions of Scotland without a parallel focus on regional and local towns, businesses and sectors underpinning Scotland’s quality of life. The full range of local authority services and roles need to be deployed to secure Scotland’s long term competitiveness for business not just the limited role/services of an individual agency.

There is also a need for more effective and efficient regional joint working across the local authorities to create a regional approach. The “lead authority” model that has evolved in joint funding applications for example the East of Scotland Investment Fund or East Coast Renewables Alliance that could be evolved with service level agreements with other authorities to deliver either programmes of specific services, including EU funding applications and regional contracts or pan-authority projects which have greater benefits if delivered on a regional scale. However underpinning this is the requirement for a suitable financial model to enable human and financial resources to be deployed to deliver this regional model as well as appropriate levels of resources.

Q12. What should be the role for a publicly-funded enterprise network, what activities should it be expected to deliver and what resources are required? Alternatively, what alternative exists to the current model in Scotland and what benefits would this have?

A12. The role of a publicly-funded enterprise network is to deliver the Government Economic Strategy. This enterprise network collaborates to tackle both macro and regional economic issues that affect the cost of doing business, increasing productivity and increasing Scotland’s competitiveness. The activities delivered by the enterprise network and indeed the resources required need to increase that competitiveness. “More of the same” or “less of the same” will not deliver the step change in national
performance that is required to deliver the targets to reduce carbon emissions, close the inequality gap and also deliver sustainable growth.

An alternative model that is of merit and worth considering is the IMD World Competitiveness Index. This is a country competitiveness methodology used by Ireland and Australia to drive their competitiveness agendas. This includes comparison countries such as Russia, China and India. The IMD World Competitiveness Index is created not just from hard data but also an annual business survey that provides transparent input from them on their assessment of a country’s competitiveness. The IMD Competitiveness Index assesses not just economic performance but also government efficiency, business efficiency and infrastructure, all areas of considerable focus for both public and private sector in Scotland.

For example one of the measures is how many days it takes to start up a business – in Australia 2 days and in the UK 14. We have no measure for Scotland but most importantly we do not have national collaborative action to reduce it. These competitiveness factors included in the IMD Index are not only those that international investors consider when making an investment decision, but are now critical to all business investment. A role for Scottish Enterprise as the national economic development agency could be to undertake that annual business survey and the use of the findings to prioritise activities and resources. This would provide a transparent and measureable means of prioritisation, relevant to all Scottish businesses and the economic network including local authority delivery.

The success of the delivery model must be judged on its ability to tackle this leadership paradox – how to focus on both growth and quality of life and ensuring that Scotland’s businesses are real stakeholders in it.

Q13. Do the enterprise agencies’ methodologies for calculating the return on investment bear scrutiny? Which activities have been identified as delivering most return on investment?

A13. Both Scottish Enterprise and Skills Development Scotland have clearly and concisely outlined in their Business/Corporate Plans for 2010 – 2013 the links between activities, outputs and outcomes. This is helpful to partners as it enables us to better understand their priorities and their fit with our own.

SLAED have developed common measures for local authorities through the economic health check indicators and core and discretionary economic performance indicators. These are to be piloted during 2010 for adoption in 2010/11.

Underpinning a single action plan across all agencies active in the enterprise network is the need for a common framework for prioritisation of activities and resources.
The vision for Fife as captured in The Fife Economic Strategy: Growing Fife’s Future 2009 - 2020 is “Fife – the easiest place to do business” which reflects the importance that Fife’s businesses place on not just their productivity but the cost competitiveness of their business environment and also the need for business minded government both national and local. The enterprise agencies methodology is important for their internal return on investment calculations but their activities are a means to an end and that end is Scotland’s competitiveness.

Development Services – Fife Council
September 2010
SUBMISSION FROM GLASGOW CITY COUNCIL

A fundamental review of the purpose of an enterprise agency and the success of the recent reforms

Key questions

Q1. What impact has the rationalisation of the enterprise network and the abolition of the LECs had on the quality or effectiveness of the services delivered?

A1. The immediate impact of the rationalisation of the enterprise network for Glasgow has been:

- a reduction in the amount of effective partnership working on joint project development and implementation;
- the loss of economic development resource for local economic regeneration – with the financial distribution formula for the re-allocation of Scottish Enterprise financial resources operating to the disadvantage of the city;
- a reduction in joint project funding for a range of initiatives and programmes – for example the Glasgow Export Partnership, The Local Economic Regeneration Agency Network, various property refurbishment programmes etc;
- a reduction in the level of human resource available to implement the Economic Development Strategy.

The above has come at a time when the Council, as a direct result of the economic recession, is dealing with:

- increases in fuel, energy, and commodity costs;
- keeping council tax payment rates high as residents face their own credit and debt problems;
- loss of capital from council surplus asset sales as projects are deferred, and average land values fall. Average asset sales values of over £20 million per annum over the period 2003-2007 fell to under £10 million in 2008 and the £10 million anticipated in 2009;
- decline in income from chargeable services – for example income from planning application and building warrant fees has fallen by 25%, while advertising income has fallen by nearer 40%;
- the increase in demand for social welfare services (e.g. money advice, homelessness) as personal debt becomes a bigger issue for many city residents;
- an increase in demand from business for business advice and support – including investment support for projects where bank lending is either not available or available on terms which are disadvantageous (and indeed threatening) to the business.

The combined effect of the economic crisis and the loss of the LEC network has placed a severe burden on the Council to ensure the continued of delivery of services to businesses and individuals (training and employability).

Despite these challenges, Glasgow City Council has taken the decision to stick with its step change targets, albeit with necessary adjustments to policy and projects on the
ground, with a view to embarking on a mid-term review of the Strategy by 2011. At that point the rationalisation of the enterprise network will be factored in to any adjustments made to the delivery of the Action Plan until 2016.

Q2. Has the transfer of activities, such as the Business Gateway service, to local authorities improved the delivery of services to local businesses and what evidence is there of this?

A2. It should be borne in mind that a large number of Scottish local authorities have been active in the area of direct business support for many years prior to the Business Gateway transfer. Accordingly the City Council welcomed the transfer of the BG service to local authorities. In Glasgow the opportunity has been taken, insofar as the contract inherited from SE allows, to align BG services with other City Council business support services. Glasgow categorises its suite of support into 5 broad areas

Access to Knowledge/Expertise;
Access to Events;
Access to Markets;
Access to Finance; and
Access to Property.

Within these headings the Council operates 13 distinct programmes only two of which relate directly to the core BG offer. Cumulatively these 13 programmes supported 5,627 firms and 14,793 jobs in 2009/10.

In Glasgow the Business Gateway services are now operating smoothly and the council has developed a generally good working relationship with the contractor. In terms of service delivery some statistics from Business Gateway Quality Assurance Report (conducted by IBP, an independent agency) are worth quoting;

For Growth Pipeline Companies in May 2010, 226 Glasgow companies were interviewed;

- Average turnover of businesses in Glasgow for 08/09 was £552k (Scotland average £608k)
- 90% had an ongoing relationship with their BG business adviser
- 70% experienced an increase in turnover in 09/10
- 66% agreed that their business was on track with expected progress for next 3 years
- 21% agreed that progress would not have been achieved at all without help from the advisor, and 77% agreed that the adviser’s help had made an important contribution to progress
- Overall satisfaction level for service received was 81% (Scotland average 79%)

For Quarter 1 (April to June 2010), 88 Glasgow businesses engaged with BG were surveyed;

- 84% were satisfied with service received (long term Glasgow average 91%)
- 88% had their expectations well met (long term Glasgow average 93%)

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-100% were satisfied that trainers had a good knowledge of subject at training courses (long term Glasgow average 96%)
-96% were satisfied that training events & seminars were relevant to their businesses (long term Glasgow average 92%)

Looking forward the council would expect to play an important role in setting the specification for any new BG contracts and the subsequent bid appraisal. While the council accepts that BG should remain a national brand with a “core” common provision the fact remains that the dynamism and structure of the company base does vary within Scotland and this requires to be recognised both in the allocation of funds and the flexibility to provide services based on local needs.

One issue that affect Glasgow is that because the city is the hub of a wider metropolitan region, BG in Glasgow has to deal with enquiries from firms/individuals outwith the city. In 2009/10 some 916 non Glasgow companies were supported at BG 55 events in Glasgow. This wider regional role needs to be better recognised in future arrangements.

**Q3. What has been the experience of businesses that are not account-managed by Scottish Enterprise/Highlands and Islands Enterprise since the 2007 reforms? Are such companies finding it difficult to attract the support they need from the enterprise agencies and what evidence is there of this?**

A3. The City Council has been aware of the needs of the non SE account managed firms and has developed a range of business support services to address this situation (see response to previous question). The firms supported would for the most part NOT be those in receipt of SE account management.

The recession has of course increased the pressure on firms of all types. This has been evident through for example an increase in demand of loans from the West of Scotland Loan Fund.

The Council is also seeking to provide more intense support to SMEs with growth potential and, in the context of the framework recently agreed between the Scottish Government and SLAED/COSLA has applied for ERDF grant assistance to provide this “account managed” service to qualifying businesses – the so called “sub growth pipeline” firms.

**Q4. How joined up are the various agencies that are now charged with supporting economic recovery? Are there examples of successful partnership working between, for example, SE or HIE and local authorities? How has the establishment of the strategic forum assisted in this regard?**

A4. In Glasgow the main high level mechanism to ensure a joined up approach to economic development within the city is the Glasgow Economic Partnership (GEP).

This body was established in March 2009 and was charged with taking forward the development and implementation of the Economic Development Strategy ‘A Step Change for Glasgow’ and Action Plans which emanate from the Strategy.

The GEP is chaired by Councillor Gordon Matheson, Leader of Glasgow City Council, and meets on a monthly basis. The GEP comprises key business influencers in
Glasgow's economy, including representatives from SPT, Barclays Wealth, University of Strathclyde, Job Centre Plus, Skills Development Scotland and Scottish Enterprise.

In overseeing the implementation of Glasgow's Economic Development Strategy and Action Plan, the GEP invites regular updates on strategic projects including Sustainable Glasgow, the Glasgow Works' Strategy and Agenda and the Style Mile initiative.

In addition to the regular meetings of the GEP, the city now has a well-established tradition of staging the annual State of the City Economy Conference which provided the Glasgow Economic Forum and now the Glasgow Economic Partnership with the opportunity to report back to the city stakeholders on the progress of the delivery of the strategy as well as an economic health-check based on an independently commissioned audit. The conference was previously managed jointly by GCC and SEG but is now managed entirely by GCC.

Q5. What distinctive contribution has been made by HIE as a result of its social/strengthening communities remit? Should the same obligation be applied to SE?

A5. It should be recalled that the “social" role given originally to HIDB and subsequently to HIE was a response to the capacity constraints of the public sector in that large, sparsely populated region. Extending SE’s remit to cover such activities would be a complete reversal of the recent changes to SE which sought to tighten its focus on supporting a specific subset of companies and promoting a limited list of sectors. It would seem more logical for the Scottish Government’s objectives on social/community cohesion to be delivered through the Community Planning Partnership/Single Outcome Agreement process. The addition of a further “player” in this area would risk “recluttering” the public sector landscape without bringing any additional resources to the table.

Q6. Have COSLA and SE been able to agree on what constitutes local, regional and national regeneration? Are local authorities maintaining levels of local regeneration activities? What benefits have accrued from the transfer of local regeneration activities to local authorities? What has been the impact on regional regeneration projects? Have any regeneration projects failed or been cancelled as a consequence of this transfer of responsibilities?

A6. In this context “regeneration” activities have come to mean capital projects. Whether a physical investment project is national, regional or local in nature is a matter of interpretation and this issue was of course the subject of extensive discussions in the wake of the 2007 reforms to SE.

In Glasgow the additional monies allocated as part of this process have been used to supplement the Better Glasgow Fund (BGF). This Fund, an entirely council funded initiative, is a successor to the Scottish Government Cities Growth Fund that ran from 2003 to 2008. BGF is an integral part of the Council’s proactive response to the recession and aims to maintain momentum with respect to the physical regeneration of the city.

Better Glasgow Fund is allocated to a number of specific programmes which took forward the broad range of regeneration activity previously funded through the Cities Growth Fund. The specific themes addressed by these programmes are as follows:
• Area regeneration
• Heritage Building Programme
• Local Business and Training Centres Programme
• Town Centre Action Plan;
• Public Realm Programme;
• Greenspace Programme;
• Metropolitan Glasgow Strategic Drainage Plan
• Clyde Valley Shared Services

The current phase of BGF expires at the end of March 2011.

Glasgow City Council has so far been maintaining local regeneration activities but this will be reviewed in light of the forthcoming spending review and subsequent financial allocation.

Additionally, some of the SE-led “specialism” projects within the action plan have been deleted as they no longer meet SE’s strategic goals or have been superseded by other initiatives. As it is these specialist activities, in this case life sciences, which have the potential to generate greatest productivity and high value jobs, their loss will have implications for Glasgow’s ability to achieve real step change.

Q7. The Cabinet Secretary envisaged that Regional Advisory Boards would provide a link between local, regional and national delivery. How is this working in practice and what links have been provided?

A7. The SE West of Scotland Regional Advisory Board has had minimal profile in Glasgow.

Q8. What advantages has the establishment of Skills Development Scotland brought in terms of the delivery of the skills agenda and have there been any difficulties?

A8. The key issue for Glasgow is how to ensure that SDS activities are properly aligned at operational level with other employability activities within the city, in particular the Commonwealth Games Apprenticeship Scheme and the Glasgow Works initiative. The work that has started on the “strategic skills pipeline” in the context of the new approach to managing ESF should be used to drive forward this process.

In addition, the development of the Service Delivery Agreement between SDS and GCC provides the opportunity for the national training programmes and the Careers Advice Service to become more effective through the establishment of joint priorities and investment plans and through sharing performance information which can be used to modify provision in real time.
Q9. How will services be protected in light of any planned further restructuring exercise within Scottish Enterprise and/or Highlands and Islands Enterprise?

A9. No Comment

Q10. Could the Scottish Government’s economic aims be achieved in a different way? Are there more successful or efficient models of delivery in other parts of the world?

A10. Glasgow is Scotland’s largest urban economy and the social and economic centre of a metropolitan region of nearly 2 million people. With a city population of 588,470, it is the most populous local authority area in Scotland and provides the employment, retail, cultural and leisure focus for the West of Scotland.

In economic terms, Glasgow makes a powerful contribution to the Scottish economy. It is Scotland’s largest urban economy - with annual output in 2007 of £15.7bn - which, in turn, supports the country’s largest centre of employment with total employment at around 408,000 (APS: 2009). Glasgow also provides employment for over 200,000 people who commute into the city to work.

Assuming local economic strategies are designed to directly contribute to the national economic strategic objectives, there is scope at local or city level to devolve powers and resource for the pursuit of local regeneration. Glasgow believes it could make a compelling case for the integration of Scottish Enterprise ‘local’ services with those of the local authority, the Glasgow Economic Partnership and Business Gateway, demonstrating that more and better outcomes could be delivered at lower cost. This would have the effect of de-cluttering local services, without severing the relationship of those local services with the demands of a national strategy.

Many examples of development agencies exist across the world, often the first choice of local government leaders for pursuing local economic strategies. The OECD publication, “Organising Local Economic development – the Role of Development Agencies and Companies”, outlines 16 development agency case studies.

Q11. Could services be delivered as effectively, with greater efficiency, by a single agency or some other structure with increased shared services etc? Conversely, are a single economic strategy and the SE account management model suitable for both Scotland and the Highlands & Islands?

A11. The Committee will be aware of the publication in November 2009 of the “Arbuthnott” report which examined the scope for developing shared services across the Clyde Valley area. The report also called for a “re-invigorated approach to regeneration, developing a shared economic approach to addressing the recession in the Clyde Valley area” and work on this has since begun.

Operationally there are some examples of joint working on economic development matters including the long established West of Scotland Loan Fund (the 12 ex Strathclyde Region authorities) and the Skills and Business Growth scheme which provides training support to local SMEs across the Clyde Valley area.
Q12. What should be the role for a publicly-funded enterprise network, what activities should it be expected to deliver and what resources are required? Alternatively, what alternative exists to the current model in Scotland and what benefits would this have?

A12. The case for a national public economic development agency remains strong and indeed there may be some short term opportunities that a degree of continuity could provide (for example in relation to the attraction of inward investment) while the restructuring of economic development is taking place in England with the abolition of the RDAs.

Q13. Do the enterprise agencies’ methodologies for calculating the return on investment bear scrutiny? Which activities have been identified as delivering most return on investment?

A13. No Comment

Glasgow City Council
September 2010
SUBMISSION FROM THE HIGHLAND COUNCIL

Questions

1. Has the rationalisation of the Enterprise Network affected the quality or effectiveness of the services delivered?
   There have been inevitable issues relating to such a major change in delivery. In particular the development of the account management model has been novel in the Highlands and Islands and this together with changes to the grant regime operated by HIE has led to uncertainty for existing businesses as to what business support services they are eligible for. In addition, HIE has seen significant falls in its development budget of c£33m over the past 4 financial years which has also affected its ability to deliver services. HIE’s grant in aid budget is now less than £60m compared to spend of over £100m pa in the recent past.

2. Has the transfer of activities away from the local enterprise companies, such as the Business Gateway service, to local authorities improved the delivery of services to local businesses?
   The Highlands and Islands local authorities were able to adopt a different model of delivery from the Scottish Enterprise model. They were able to deliver Business Gateway on an in-house basis, rather than through a competitive tender with a predetermined service offering. In the case of Highland Council we have used our enterprise trust, Highland Opportunity Limited (HOL), to deliver Business Gateway and we have also introduced a shared service model on behalf of Moray Council. HOL had an established relationship with local businesses in the Highland area and this has undoubtedly been beneficial as HOL also on behalf of the Council, manages the PSYBT service, offers loan and grant finance and provides in consortium with HIE and SE, the Enterprise Europe network service. In addition HOL works with sectors such as Retail and Distribution, and local services, where HIE did not and again this has proved beneficial as many start-up and existing businesses in the Highlands are in these sectors.

   The Business Gateway service in the Highlands and Islands commenced on 1st April 2009 but due to the unavailability of the national services was not formally launched with its associated marketing until September 2009. Hence the service in the H&I’s, relative to ‘lowland’ Scotland, is new and evolving in response to local business needs and quality assurance programme feedback.

3. What has been the experience of businesses that are not account-managed by Scottish Enterprise/Highlands and Islands Enterprise since the 2007 reforms? Are such companies finding it difficult to attract the support they need from the enterprise agencies?
   Our experience suggests that these companies have had some difficulty adjusting to the new arrangements and that companies have been unclear of their ‘account management’ status and hence have faced a degree of uncertainty about where to go for advice and support. We have worked with HIE on developing a pipeline process for companies to move to account management but also to better shape the support available to those businesses who have growth potential but are not as yet ready for account management. Much of the marketing focus on Business Gateway nationally has been on business start-up and the Council has provided some additional local marketing effort and worked locally with partners such as...
Chambers of Commerce to encourage existing businesses to utilise advisory services which can be offered by Business Gateway in the Highlands. The results of some local quality assurance customer survey work, in addition to the national Business Gateway QA programme, will be used to develop services. In addition, the changes to Skills Development Scotland have also meant that generally companies may be finding it more difficult to access mainstream and specialist training support.

4. **How joined up are the various agencies that are now charged with supporting economic recovery? Are there examples of successful partnership working between, for example, SE or HIE and local authorities? How has the establishment of the strategic forum assisted in this regard?**

   There is very good partnership working between the Highland Council and HIE. At the strategic level there are quarterly meetings between the Chief Executive, Chair and Regional Director for HIE with the Council’s Chief Executive, Convener and other senior politicians. HIE are on the Highland Community Planning Partnership board. We also have a joint Highland Economic Forum chaired by the Council’s Chair of Planning, Environment and Development. The Economic Forum has focussed on regular updates on the recession and has developed an action plan to address economic opportunities. At the local level there are regular liaison meetings between Business Gateway officers and HIE area teams with less formal contact on almost a daily basis.

5. **Have COSLA and SE been able to agree on what constitutes local versus national regeneration? Are local authorities maintaining levels of local regeneration activities? What benefits have accrued from the transfer of local regeneration activities to local authorities?**

   This issue has not arisen in the Highlands and Islands as HIE ‘continue to have responsibility for local regeneration as it is a necessary element of its remits to strengthen communities’ (Scottish Government Economic Strategy). Hence there has been no transfer of remit or resource to the Council from HIE.

   The Highland Council is however, actively involved in local regeneration through Scottish Government funding, such as the Vacant and Derelict Land Fund, its own capital programme, delivery of the Fairer Scotland Fund (now locally referred to as Employability programme funding) and through the LEADER Programme in rural Highland where the Council is the lead partner.

6. **Have the Regional Advisory Boards successfully engaged with local business and provided a link between local, regional and national delivery as envisaged by the Cabinet Secretary?**

   These do not exist in the Highlands and Islands, however, the Highland Economic Forum and HIE’s local business panels, led by its area teams enable discussion and input from other sectors to HIE’s priorities.

7. **What benefits have accrued from the transfer of local regeneration activities to local authorities and have there been any difficulties?**

   No benefits have accrued as there was no remit nor resource transferred from HIE to the Council. See response to question 5 above.

   As explained above HIE deliver on its local regeneration remit through its
Strengthening Communities activities. Hence actions are directed towards Social Enterprises, community assets and capacity building. HIE focus its resources especially on the ‘fragile areas’ in the Highlands and Islands where disadvantage, peripherality, lack of local resources and constrained service provision are most keenly felt.

SIMD 2009 identifies other areas (datazones) in Highland where multiple deprivation exists and it is to these areas where the Council, for example, focuses its VDLF and area deprived funds from its Employability programme. HIE is not active in these areas unless there is a community asset or social enterprise aspect to regeneration activity. No HIE funding is currently directed towards physical regeneration activity in such areas.

8. What advantages has the establishment of Skills Development Scotland brought in terms of the delivery of the skills agenda and have there been any difficulties?
Overall we have been disappointed in the time it has taken for SDS to establish its operations and role. We are now seeing an improving picture, however, with the development of a joint action plan with Highland Council and clarity been given to local SDS staff on resources and targets.

9. Could the Scottish Government’s economic aims be achieved in a different way? Are there more successful or efficient models of delivery in other parts of the world?
It is interesting to note that the UK Government has decided to abolish Regional Development Agencies in England replacing them with Local Economic Partnerships (LEPs). The Welsh Development Agency is now part of the Welsh Government rather than a separate quango. There are, however, in most countries of the world either national, regional or local bodies charged with supporting economic development. Arguably the Highlands and Islands Development Board was one of the first all purpose regional development agencies in Europe when it was set up in 1965. The challenge is to find a set of institutions which are able to address economic difficulties and opportunities which can match entrepreneurship in their approach with the need for democratic accountability and scrutiny. In most countries of the developed world economic development is more closely associated with local government rather than agencies of national government as in Scotland. More detailed study of this question is needed by the Committee.

10. Does the need still exist to have both SE and HIE operating within Scotland? Could services be delivered as effectively, with greater efficiency, by a single agency or some other structure with increased shared services etc?
Conversely, are a single economic strategy and the SE account management model suitable for both Scotland and the Highlands & Islands?
The Council believes that a single enterprise agency for Scotland would be unable to respond to the particular economic challenges and opportunities facing the Highland and the wider Highlands and Islands regional economy. Competing demands elsewhere in lowland Scotland would influence policy direction and resource allocation and this would be of mixed fortune to the diverse local economies within the Highlands and Islands. There is a need to ensure that any policy developed or support offered is first informed by a clear understanding of
local need and opportunity and the Council consider that this will be best achieved through local input to decision making and a focus on what is most beneficial for the local/regional economy.

HIE has a distinctive approach to understanding and tackling the acute economic challenges facing businesses and communities in the remote and rural areas of the Highlands and Islands. Its particular social development remit marks it out as different from Scottish Enterprise and has been invaluable in supporting initiatives such as community land ownership, community-based renewable energy developments and community enterprise more generally. Its ability to identify and bring forward projects of strategic importance is also highly valued, as is its policy work at the regional level, for example, Roadmap for Connectivity in the Highlands and Islands and its joint work with the Council and Hi-Trans into future of road fuel supplies in the region.

There is undoubtedly scope for more shared services across SE and HIE and this should also include development of a shared approach to policy for individual sectors. This is happening already to some extent but could undoubtedly be improved. Recently, however, SE seems to have reduced the importance of key growth sectors. The role of Scottish Development International is also important and we would welcome more focus on bringing inward investment and supporting exporters in the region.

Over the recent past HIE’s distinctive economic strategy has been lost as there was no regional successor to “A smart successful Highlands and Islands” developed as a companion strategy to “Smart Successful Scotland”. The government’s economic strategy implies a “one Scotland” approach which has led to a diminution of HIE’s distinctive role and recent budget reductions has adversely impacted on its capacity to deliver on this distinctive remit.

The account-management model is relatively new in the Highlands and Islands, and HIE have been keen to stress that this is not just about large companies, rather companies of any scale with ambition to grow. This has been a difficult message to sell and as mentioned above there is some confusion about the support available for existing businesses.

11. What should be the role for a publicly-funded enterprise network, what activities should it be expected to deliver and what resources are required? Alternatively, what alternative exists to the current model in Scotland and what benefits would this have?

The role should be to help tackle economic disadvantage and address economic opportunity. The chairman of the HIDB stated in its first annual report that the agency should be judged on its success in tackling the most disadvantaged areas of the region. Whilst the Council would subscribe to this there is also a need to ensure more broadly based economic development across a region which suffers from distinct geographic, economic and social disadvantage. The resources required are expertise, a “can do” enterprising approach, and financial. The ability of an agency to bring together large scale funding support for major projects is a key attribute. One example is the Centre for Health Science, at Raigmore Hospital in Inverness which is a £25m development incorporating the NHS, several universities including the UHI, and Lifescan Scotland Limited.
Support to help disadvantaged communities, for business development and evidencing and lobbying on key regional economic infrastructure requirements are also key as has been outlined above.

12. Do the enterprise agencies’ methodologies for calculating the return on investment bear scrutiny? Which activities have been identified as delivering most return on investment?

There is limited information provided on this aspect of HIE’s work in its annual reports. In addition, HIE has moved away from measures such as job creation and cost per job. Arguably this has contributed to a reduction in the ability to explain what the agency is achieving. New measures such as value-added mean little to a non-specialist audience.

The Highland Council
September 2010
SUBMISSION FROM ORKNEY ISLANDS COUNCIL

1. Orkney Islands Council welcomes the current review being undertaken by the Economy, Energy and Tourism Committee and appreciates the opportunity to contribute to a fundamental review of the Enterprise Agencies. OIC recognises that the wide-reaching Enterprise reforms announced in 2007 are in some respects still being worked through to implementation but it regards the current review as timely. The review thus represents an opportunity to identify what has worked well and delivered the intended benefits but also to consider the perceived gaps. This will help to identify the most appropriate approach in terms of organisational and agency network structure as well as looking at the underpinning processes and products designed to support local economic growth. This should also seek to formulate a more realistic and effective balance for regions that have not benefited to the same degree as others due to the remote and rural nature of their economies. Most specifically OIC would ask the Committee to carefully consider the Islands and peripheral regions of Scotland to include an exploration of the delivery structures and mechanisms specific to the local support needs of these regions and would welcome the opportunity of offering further input in to the review.

2. From an analysis of the current Enterprise structures and support mechanisms OIC is of the view that consideration should be given to an increase in local control of delivery in order to be able to engage effectively and address the entirely different and often unique circumstances and local issues impacting on the development of the regional economy. There is therefore an opportunity for the Local Authority to play a greater role in developing and delivering on the Scottish Government’s economic aims and objectives in these more peripheral areas.

Key questions

Value of recent reforms

Q1. What impact has the rationalisation of the enterprise network and the abolition of the LECs had on the quality or effectiveness of the services delivered?

There has been considerable change in the Enterprise network in recent years significantly impacting on delivery, budgets and process. It might be argued that following the major changes of 2008, in abolishing the LECs, the transfer of Business Gateway, changes to Skills Development Scotland and incorporation of Scottish Government grants schemes, that change is still in progress. There have however been substantial cuts in HIE budget and, with the abolition of the LECs, the centralised policy and decision making process is slower, reduced levels of financial assistance are available and there is less clarity with regard to the availability of products in the former LEC areas. With focus on Businesses of Growth, a link with the wider private sector seems to have been removed which has generally resulted in increased uncertainty amongst businesses about what support they are eligible for. SE has continued to develop its ‘intervention frameworks’ and associated support products seeking a more consistent approach across the five regions allowing approvals to become more streamlined leading to quicker delivery of support. Certain products are however not available through HIE to BG in the region leading to an obvious inconsistency of approach for BG client companies and start-ups. SE has been developing an Account Team approach to Account Management which in some circumstances is known to be working very well (eg with SDI sector teams, Innovation and workforce development
specialists)- such benefits however are of course not available to the majority of companies in Orkney. It does not appear to be clear to companies nor Local Authorities in H&I region how RSA is administered (now by HIE - following the transfer in 2009). Whilst the SE Seed, Co-investment and Venture Funds are available throughout Scotland it does not appear to be widely known about in some H&I regions.

Q2. Has the transfer of activities, such as the Business Gateway service, to local authorities improved the delivery of services to local businesses and what evidence is there of this?

A2. Business Gateway has only been operating under the Local Authority in Orkney since April 2009 and as a result is still evolving relative to SE region BGs. A successful first year was however reported and it is felt that service delivery has continued to significantly improve in Orkney as a result of the transfer. The working relationship between Business Gateway, OIC and HIE locally has developed well during this period with a joined-up approach to prospecting and delivery to the Account Management process, assisted by co-location in the same premises. This improvement is evidenced by the considerable numbers of enquiries and businesses in receipt of advice, and a higher uptake across the county with respect to the various information sessions delivered locally as well as in focussed business advisor time spent with companies.

Q3. What has been the experience of businesses that are not account-managed by Scottish Enterprise/Highlands and Islands Enterprise since the 2007 reforms? Are such companies finding it difficult to attract the support they need from the enterprise agencies and what evidence is there of this?

A3. Anecdotal evidence from the Orkney business community would suggest that companies not account-managed by HIE are offered no assistance at all and many are unclear about where to go for advice and support. There is still a view held in some quarters of the business community that BG is just for start-ups and this needs challenged and could perhaps be addressed through the ongoing BG marketing activities. In some cases, even account-managed businesses receive little in the way of tangible assistance. The, often unknown, eligibility criteria required for adoption into HIE account management is an increasing barrier to access to HIE assistance. It is understood that BG and Pipeline companies in H&I region cannot access certain ‘products’ compared with SE region. Since only Account Managed companies seem eligible to benefit from the Internationalisation support of SDI, through the Account team approach, there is little SDI engagement with the majority of Orkney businesses.

Q4. How joined up are the various agencies that are now charged with supporting economic recovery? Are there examples of successful partnership working between, for example, SE or HIE and local authorities? How has the establishment of the strategic forum assisted in this regard?

A4. There is a very good relationship between OIC and HIE at officer level with several important examples of successful partnership projects with the key sectors. In particular the significant developments and successes in the Renewables sector for Orkney resulted from joined-up working between Local Authority and HIE, and that now continues with contribution from BG. A strategic level forum between Chair and Vice Chair of the Development & Regeneration Committee and Senior Regional and Local HIE staff has recently been re-instated which allows for knowledge sharing and
reporting. As a result of co-location with BG, HIE and OIC Economic Development staff there are regular updates and liaison meetings on projects and companies. The Community Planning Partnership has proposed a Strategic Economic Forum and whilst the membership requires to be finalised there exist many opportunities for the enterprise organisations to engage with the key sectors such as the Area Tourism Partnership and other sectoral groups. In addition OIC and HIE facilitate working groups covering Employability, Social Enterprise and Community Development as well as the Economic Task Force that seeks to be pro-active in addressing the implications emerging directly from the current recession.

Q5. What distinctive contribution has been made by HIE as a result of its social/strengthening communities remit? Should the same obligation be applied to SE?

A5. Following on from the Initiative at the edge, HIE and OIC have been very active in part-funding and facilitating island Community Development Trusts and Community Development Officers. With all the main Outer Islands represented, there are several exciting and positive opportunities being progressed that seek to revitalise the fragile islands economies. Each Trust is producing an Islands Development plan that outlines the various strategic developments that include Wind turbine projects along with various community-led projects and enterprises. OIC and HIE have worked closely with particular success in progressing a co-ordinated approach to the outer islands developments.

Q6. Have COSLA and SE been able to agree on what constitutes local, regional and national regeneration? Are local authorities maintaining levels of local regeneration activities? What benefits have accrued from the transfer of local regeneration activities to local authorities? What has been the impact on regional regeneration projects? Have any regeneration projects failed or been cancelled as a consequence of this transfer of responsibilities?

A6. There has been no transfer of regeneration funds from HIE to OIC. OIC is however actively involved in local regeneration with several partner organisations and streams of funding such as LEADER.

Q7. The Cabinet Secretary envisaged that Regional Advisory Boards would provide a link between local, regional and national delivery. How is this working in practice and what links have been provided?

A7. It is understood that there are five (Industry Chaired) RABs in existence covering the SE region but no obvious links across the regional boundaries and it is currently unclear if RABS are yet implemented in the Highlands and Islands region.

Q8. What advantages has the establishment of Skills Development Scotland brought in terms of the delivery of the skills agenda and have there been any difficulties?

A8. The SDS focus is towards delivering the four National Training Programmes which result in measurable nationally recognised qualifications rather than addressing the skills needs locally and in fields where there may not necessarily be an MA or an SVQ etc. The Orkney labour market, as in most remote rural areas, is very dissimilar to that of urban Scotland and nationally. There is a Service Delivery Agreement being developed between SDS and OIC which aspires to more joined up working with special reference to
the priority industries which is broadly welcomed. However, it is not yet clear that this will result in any fully funded training outwith the NTPs and, as such, there is a significant perceived gap in some general skills delivery for businesses which Local Councils could deliver if funding were to be made available. The Scottish Government should recognise that local labour market needs in Scotland’s remote rural areas are perhaps more confined, specialised and urgent-and, to reiterate, better understood locally.

Q9. How will services be protected in light of any planned further restructuring exercise within Scottish Enterprise and/or Highlands and Islands Enterprise?

A9. If there were to be an opportunity to define, prioritise and accommodate support & delivery at local level then there will be a higher chance of protecting the most relevant services of local impact. It is therefore proposed that a careful exploration of this with the local enterprise agencies and local authorities forms a key part of the next stage of the review.

More fundamental, first principles analysis

Q10. Could the Scottish Government’s economic aims be achieved in a different way? Are there more successful or efficient models of delivery in other parts of the world?

A10. Without a full study of international economic development bodies, case studies and success rates it is hard to speculate. Other regions that have a similar mix of metropolitan and rural economies such as Canada and New Zealand should be looked at. As stated, there needs to be careful consideration of the fragile and remote economies with a local focus on effective and efficient delivery of support service. Local Authorities in Island and remote regions, as indicated, could be funded to deliver relevant local support which may wish to be considered in some circumstances as a statutory responsibility.

Q11. Could services be delivered as effectively, with greater efficiency, by a single agency or some other structure with increased shared services etc? Conversely, are a single economic strategy and the SE account management model suitable for both Scotland and the Highlands & Islands?

A11. With SOA’s in each Local Authority area, certain local economic development activities in the H&I could be best delivered by the Local Authorities who already deliver a wider range of public services, and where the decision making process is local and informed. HIE is under some pressure to demonstrate a successful region which, understandably, means focussing on the greatest opportunities for growth which exist around the accessible mainland hub of Inverness. The account management model is not supportive of the majority business base which exists in many remote areas of the H&I, where there exist relatively high numbers of small and micro businesses. Businesses, social enterprises and community organisations that are not eligible for HIE Account Management have a very significant role in sustaining rural H&I economies and should not be overlooked.

Q12. What should be the role for a publicly-funded enterprise network, what activities should it be expected to deliver and what resources are required? Alternatively, what alternative exists to the current model in Scotland and what benefits would this have?
A12. A publicly funded regional or national enterprise network should function to address economic challenges and promote and strengthen economic success. It should accommodate the diversity of a national economy and sustainably support the economy from the remote fragile rural to the metropolitan regions. With limited budget it will inevitably focus its resources on enterprises which should potentially deliver the greatest regional or national economic impact. It is recognised that there is a role for priority sector and opportunity-focussed Account Management of key companies as well as for major infrastructural and transformative project management by a national agency. However, this approach does not necessarily promote small business start-ups or deliver any support or incentives to businesses of the scale which is typical of the more remote areas. As previously stated, Local Authorities are well placed to respond to and deliver local economic development. A national enterprise agency should support local economic development agencies to react to opportunities which are of significance, relative not only to Scotland but to the local area. This agency should seek to create and promote cross-area synergies enhancing collaborative advantage with respect to industry clusters and thus develop the economic activities which will collectively improve industry performance nationally and internationally.

Q13. Do the enterprise agencies’ methodologies for calculating the return on investment bear scrutiny? Which activities have been identified as delivering most return on investment?

A13. It is unclear from HIE reports but it is assumed that a GVA calculation is used (however there are various methods which have varying degrees of relevance depending on nature and phase of the business since it generally relies on a formula of costs and turnover). A real challenge is ‘attribution’ – eg how is the impact on turnover calculated for some fundamental startup support for example prior to trading? Attempts have been made to try and make such attributions at the individual Enterprise support product level but it is understood to be very difficult particularly where several interventions are used in support of a company at once so measuring relevant ROI metrics could well be reconsidered. There is also the traditional ROI to consider but for SE Investment Funding which is available throughout the country it is relatively simple compared to ‘investment’ via products and services.

Orkney Islands Council

September 2010
SCOTTISH BORDERS COUNCIL

KEY QUESTIONS

1. **What impact has the rationalisation of the enterprise network and the abolition of the LECs had on the quality or effectiveness of the services delivered?**

The immediate effect of the rationalisation has been the loss of focus on the Scottish Borders as SE concentrates on funding major projects of national significance, and this has also occurred in the context of the restructure at VisitScotland, which also saw focus away from this area towards the South of Scotland. The changes that have effectively created a South of Scotland enterprise agency were also implemented without any formal consultation or review with Scottish Borders Council.

The rationalisation has seen a reduction in the amount of public sector investment in the local economy. As responsibility and expectation of Scottish Borders Council for developing the local economy of the Borders has increased, there has been a significant reduction in economic development expenditure at the local level as only a proportion of previous LEC expenditure transferred. In practical terms, this compromises delivery of projects (and infrastructure projects in particular), as the ability to lever in funding from EU and other sources is diminished. The Council has become the main source of funds to invest in developing the local economy.

However, the new structures have clarified the role for the Council to lead on local economic development and regeneration, and SE retaining a national focus. The impact on services delivered has been positive as Scottish Borders Council has assumed a greater role in implementing economic development interventions targeting businesses in the local economy. As SE’s ‘local remit’ has diminished, businesses have probably been better engaged with as we do not distinguish between business size, type and sector. There could actually be more effective delivery of support to business in the Scottish Borders.

2. **Has the transfer of activities, such as the Business Gateway service, to local authorities improved the delivery of services to local businesses and what evidence is there of this?**

The transfer of local Business Gateway has improved delivery of services to businesses. As contract manager, Scottish Borders Council has been able to integrate Gateway activity with other complimentary economic development activity. With greater demand on SE to deliver projects/products of national significance and scale, the vacuum at the local level has been filled by Scottish Borders Council which is more flexible in responding to local conditions and demand, ensuring services provided are ‘fit for local purpose’. The Council has been able to link the engagement with businesses to a number of other business support initiatives (eg procurement support, grant funding schemes) and Council’s ‘business-facing’ functions such as premises/property, licensing, rates etc.

The Council now considers the Business Gateway brand as a key plank in its delivery of support to local companies.
3. What has been the experience of businesses that are not account-managed by Scottish Enterprise/Highlands and Islands Enterprise since the 2007 reforms? Are such companies finding it difficult to attract the support they need from the enterprise agencies and what evidence is there of this?

Business Gateway was perceived as providing a service for small and growing start-ups, and Scottish Enterprise as providing a service for larger and faster growing companies. Companies that do not meet the criteria for entry to SE Growth Pipeline or Designated Relationship Management have found it difficult to identify which part of the business support network is available to assist them. In response, the Council amended its contract with the Business Gateway contractor to ensure that all businesses could be eligible for public-sector business support. In the Scottish Borders economy, a minority of firms are account-managed and/or are eligible for start-up support. The large volume of companies previously not catered for, have now been engaged with via the Business Gateway. This flexibility to change and respond to the particular circumstances of the Scottish Borders would not have been as easily achieved if the Council was not managing Business Gateway delivery.

There may be confusion around eligibility for SE generic products (e.g., innovation support, mentoring), with companies perceiving that if it is not account-managed, it cannot apply for this level of support. Scottish Borders Council, through the Business Gateway, is responding to this information deficiency. The end of the current Business Gateway delivery contracts in 2012 may offer a significant opportunity to revise company development support in Scotland to ensure that no gaps exist, and that all companies can access adequate support. It is essential that dialogue about delivery models for Business Gateway post 2012 commences as soon as possible.

The SE operating model has a focus on six ‘key sectors’. Although these key sectors provide a useful national focus, they are not necessarily well represented across all areas of Scotland. Those areas with less key sector representation may lose out in terms of intensive SE business support. This is a particular issue for rural areas such as the Scottish Borders.

4. How joined up are the various agencies that are now charged with supporting economic recovery? Are there examples of successful partnership working between, for example, SE or HIE and local authorities? How has the establishment of the strategic forum assisted in this regard?

The overall incidence of partnership on projects has diminished as SE focuses human and financial resource on other South of Scotland or Scotland projects. SBC and SE still partner on a number of legacy projects, for example in tourism sector. However as these projects come to an end, it is unlikely that formal links will be retained, unless a project fits SE criteria. The ability to lever in funding support from SE has significantly diminished which has meant a far greater reliance on, and expectation of, Council funding for capital and revenue projects developed, for example, through ERDF Programmes. There is a significant risk that the strong partnership that was in place is being eroded as SE becomes less able to provide resources for projects in local authority areas.

Scottish Borders Council has also expressed concerns in the past about the major changes made in the Skills arena to establish Skills Development Scotland. The Council
was concerned that this new national agency was not strongly linked to local partnerships and local action. The Council has been pleased to see how strongly SDS has responded to this activity gap. SDS is now a key player at the local level and we have good communications with their strategic centre.

Scottish Development International (SDI) is also an important agency in relation to the development of the Scottish economy. From a local level, it is unclear whether SDI is a separate entity, or an integral part of Scottish Enterprise. However, it is important that wherever this important inward investment function sits, that it is aware of the opportunities in rural areas, as well as the more obvious investment potential in and around our cities.

5. What distinctive contribution has been made by HIE as a result of its social/strengthening communities remit? Should the same obligation be applied to SE?

Scottish Borders Council believes that HIE has a strong tradition of investing in community development. SE has not had such a remit, and the Review resulted in a distinction between local activity, which would be driven by the local authorities, and strategic activity which would be driven by Scottish Enterprise. Any attempt to give SE a social / communities remit would now inevitably lead to duplication with the local authorities sector and confusion amongst businesses and communities, and thus would not be a practical way forward. In the event that Scottish Government wishes to enhance investment in this activity area, this should be delivered by the local authorities in the SE area.

6. Have COSLA and SE been able to agree on what constitutes local, regional and national regeneration? Are local authorities maintaining levels of local regeneration activities? What benefits have accrued from the transfer of local regeneration activities to local authorities? What has been the impact on regional regeneration projects? Have any regeneration projects failed or been cancelled as a consequence of this transfer of responsibilities?

It is clear that there has been a reduction in local regeneration activities in the Scottish Borders since the abolition of Scottish Enterprise Borders (SEB). The previous agreement for a transfer of funding from Scottish Enterprise to the local authorities has been implemented gradually over a number of years, and 2009/10 Scottish Borders Council received an additional £92,000 from Scottish Government for this work. This is significantly less than SEB were able to invest in this activity prior to their abolition.

Scottish Enterprise now focuses its activities in this area on activities of national significance, and on priority sectors such as renewables, life sciences, digital media and tourism. There are many good examples of joint delivery of projects with local authority partners before the 2007 reforms, and the ‘pipeline’ of new projects across the country is limited. Funding constraints appear to have limited SE’s ability to develop new national projects, and the limited funding transfer to local authorities and reductions in capital budgets has prevented Councils developing new regional and local interventions. Although initiatives such as the Town Centre Regeneration Fund have been helpful, it is a concern that throughout the recession there have been significant funding constraints on wider economic regeneration activity.
The nature of regeneration projects is that they tend to be capital initiatives, with finite project horizons. Few have directly failed or been cancelled as a result of the transfer of responsibilities, but it is clear that fewer new projects have been brought forward than might have been in the past, as the available budget for both SE and local authorities has been constrained for such regeneration activities. It is also noticeable at the local level that fewer smaller projects are able to proceed due to the lack of smaller scale funding from SE and pressure on local authority economic development budgets.

Another key factor in relation to the future support of regeneration projects is the fact that Councils are not generally able to spend capital monies on assets they do not own. This limits the role that local authorities can play in future regeneration projects, especially in view of the severe revenue spending constraints that are expected.

7. The Cabinet Secretary envisaged that Regional Advisory Boards would provide a link between local, regional and national delivery. How is this working in practice and what links have been provided?

Scottish Enterprise abolished LEC Boards and replaced them with Regional Advisory Boards to provide a regional dimension to Scottish Enterprise’s strategic activity. Although SE has engaged with Scottish Borders Council and, at the South of Scotland level, with the South of Scotland Alliance, it is noticeable that the level of engagement has been compromised as staff available to SE has reduced.

8. What advantages has the establishment of Skills Development Scotland brought in terms of the delivery of the skills agenda and have there been any difficulties?

The concept of combining the various agencies involved in careers development, learning and skills development has been helpful, as multiple agendas have been replaced by a single strategy. The practical benefits of this are still working through the system. As noted in 4) above, it initially took some time for SDS to engage fully at a local level. This issue has now been satisfactorily resolved in the Scottish Borders.

9. How will services be protected in light of any planned further restructuring exercise within Scottish Enterprise and/or Highlands and Islands Enterprise?

Development of the local economy is an even greater priority for the Council now that it is the only locally-based economic development agency for the Scottish Borders. As its role and remit have increased, and it has assumed a greater responsibility for delivery, and as demand for services has increased, services will need to be protected. Significantly, the service generates £1.3m income per annum including EU and Scottish Government Funding, resulting in a net cost of £0.4m. On account of this financial leverage and the ‘strategic added value’ (SAV) provided by the Council, services will need to be protected in order to ensure delivery of existing projects and future commitments. This is especially important in the context of changes to SE and the current management restructuring exercise they are implementing.

10. Could the Scottish Government’s economic aims be achieved in a different way? Are there more successful or efficient models of delivery in other parts of
the world?

The approach taken in Ireland to business development and business support was to amalgamate a number of functions under a single Enterprise Ireland brand. This may be worth investigating further and would achieve significant economies of scale across existing operations. Scottish Borders Council is keen to ensure that any new model for economic development delivery recognises and meets the needs of all the rural areas of Scotland – there has been a focus on urban regeneration to much of what Scottish Enterprise and its predecessor, Scottish Development Agency, have delivered.

11. Could services be delivered as effectively, with greater efficiency, by a single agency or some other structure with increased shared services etc? Conversely, are a single economic strategy and the SE account management model suitable for both Scotland and the Highlands & Islands?

There may be some merit in considering whether it is more efficient to merge HIE and SE. The experience and expertise available in the Highlands and Islands could make a valuable contribution to other rural areas such as the Scottish Borders, the South of Scotland and the North East of Scotland.

12. What should be the role for a publicly-funded enterprise network, what activities should it be expected to deliver and what resources are required? Alternatively, what alternative exists to the current model in Scotland and what benefits would this have?

There is an important strategic role for a national Enterprise Agency in Scotland. It should be well enough resourced to make a strategic impact at the national and regional levels. However, as in 11) above, there would seem to be some merit in assessing whether HIE and SE should be merged to achieve a more efficient approach at the strategic level.

13. Do the enterprise agencies’ methodologies for calculating the return on investment bear scrutiny? Which activities have been identified as delivering most return on investment?

SE has made a significant investment in developing measurement methodologies that may not be applicable to assessing the return on investment of different scale and type of project. This may favour the approval of larger scale interventions. This approach disadvantages areas like the Scottish Borders where relatively more important projects cannot offer as good a return than those other areas of Scotland and Scottish Borders Council would be concerned if this approach was adopted to the detriment of important projects in a rural context.
SUBMISSION FROM SOUTH AND NORTH LANAKSHIRE COUNCILS

Q1. What impact has the rationalisation of the enterprise network and the abolition of the LECs had on the quality or effectiveness of the services delivered?

A1. In relation to the transfer of the Business Gateway service, the rationalisation has improved the quality and effectiveness of the Business Gateway service by enabling the Council to:

- Broaden the range of services on offer by providing additional business support services not available through the core Business Gateway contract
- Improve the responsiveness of Business Gateway to the needs of local businesses particularly in response to the economic downturn, and
- Create greater cohesion in the delivery of services through improved partnership working and greater integration with other Local Authority and partner services.

One major impact has been that while the level of effort in local economic development activity from local authorities and other partners has increased as a result of the recession, yet a relatively small proportion of funding was passed across from Scottish Enterprise to local authorities.

Q2. Has the transfer of activities, such as the Business Gateway service, to local authorities improved the delivery of services to local businesses and what evidence is there of this?

A2. We believe that the transfer of activities has improved the delivery of services to local businesses. There has been a history of close partnership working between agencies to support businesses throughout Lanarkshire. Partnership working and effective collaboration between agencies has been key to Business Gateway delivery in Lanarkshire and has been an important ongoing outcome of the 2007 reforms. A pan-Lanarkshire approach between North and South Lanarkshire Councils and the contractor, backed up by close working links with a raft of local stakeholders including other Council teams (employability services, property services etc), local employability initiatives such as Routes to Work, Lanarkshire Chamber of Commerce, FSB, Scottish Enterprise, local colleges, PSYBT, Job Centre Plus and various intermediaries, has ensured maximum potential for cross referrals and promotion of the partners’ offerings.

Locally the transfer does not appear to have had any negative impact on delivery with services continuing to be delivered seamlessly for local businesses. Instead, the transfer has resulted in a more joined up, holistic and coherent approach to the delivery of business support in the area.

The challenging economic conditions of the last 18 months have required local Business Gateway provision to be flexible and adaptable in order to address the changing needs of Lanarkshire businesses. By working closely with local partners and with the contractor, the Council has been able to review the contract to ensure appropriate changes are made to respond to these needs. This has included the introduction of new and refocused advisory services funded through discretionary Business Gateway budgets such as the Sub Growth Pipeline - Lanarkshire’s Local Discretionary Service.

Through significant local discretionary funding over and above the Business Gateway budget, the Council has been able to provide a more holistic business support service for
SMEs by establishing a range of local service measures, either as part of the core Business Gateway service (for example the Local Discretionary Service) or operating alongside it (for example the Local Addendum). These local measures aim to address the support needs of businesses which fall out with the sectoral or growth criteria of the main contract but have growth potential and local economic impact. In addition, the Councils’ business support programmes (particularly business grants and loans; supplier development/public procurement) dovetail closely with Business Gateway delivery, ensuring that access to finance for training, consultancy, capital expenditure and business expansion are not barriers to growth.

Both North and South Lanarkshire Council, along with the local contractor, are currently pursuing a European Regional Development Fund (ERDF) application to deliver a suite of complementary “additional” services aimed at helping SMEs and social economy organisations during the current recession.

Since the transfer of the Lanarkshire contract, the contract has achieved full spend in 2008/9 and 2009/10 and has achieved good performance despite the negative impacts of the recession. For example, in 2009/10, the contract exceeded its target for new starts. The delivery of services to growth pipeline companies and companies being transferred to Scottish Enterprise account management has also showed very strong performance with Lanarkshire contributing the largest volume of clients nationally in these areas.

In relation to customer feedback in 2009/10, the Lanarkshire Business Gateway contract exceeded its targets as follows:

- Overall satisfaction – Very satisfied or fairly satisfied: Target 80% - Actual 89%
- Service delivered met expectations – Far exceeded, slightly exceeded or met expectations: Target 75% - Actual 89%
- Benefit the business will gain from service received – Of significant benefit or some benefit: Target 76% - Actual 87%

These figures demonstrate that the service provided is meeting and exceeding expectations despite the negative impact of the recession and that the quality of the services provided remains well above target following the transfer.

A key frustration of the transfer has been the ongoing debate with Scottish Enterprise for the acceptance of companies being referred into the growth pipeline and direct account management. The process has been cumbersome and bureaucratic for all parties with monthly meetings arranged with Scottish Enterprise, the Council and contractor to discuss the businesses that should progress. The ultimate decision lies with Scottish Enterprise and has a financial impact on the Business Gateway contract, as the contractor only receives payment upon successful referral and transfer to Scottish Enterprise.

Prior to the meetings, the Council assesses the companies that have been identified and ensures that only those businesses which meet the criteria move forward to be discussed at the meeting. Despite this, a number of businesses continue to be rejected for support by Scottish Enterprise leading to issues of who should provide ongoing support to the companies and also resulting in the contractor not receiving payment.
This process requires to be reviewed nationally with the criteria for acceptance reviewed to ensure that all companies who would benefit from SE intervention can receive the appropriate support.

Furthermore, although it is difficult to provide specific examples or evidence, there are growing concerns over prospecting and “cherry picking” of companies. When the Business Gateway contract was established the pool of companies for prospecting by the Business Gateway was identified as those companies not currently account managed by Scottish Enterprise. The concerns focus on the increased activity of Scottish Enterprise to prospect and engage directly with this group of companies who show growth prospects but are of size and scale to be categorized as Business Gateway customers. This needs to be reviewed nationally with a more robust protocol in place to avoid duplication of marketing and prospecting which can be confusing for companies in terms of who they should engage with.

In addition, there is a question over the ability of Scottish Enterprise to provide the same levels of intensive support to those companies that the Business Gateway can provide during the growth pipeline and handover stage to Scottish Enterprise. This activity also has an impact on the Business Gateway to deliver its financial and performance targets to growing companies when these companies have been directly approached by Scottish Enterprise for support.

Q3. What has been the experience of businesses that are not account-managed by Scottish Enterprise/Highlands and Islands Enterprise since the 2007 reforms? Are such companies finding it difficult to attract the support they need from the enterprise agencies and what evidence is there of this?

A3. Our experience has been that there are key gaps in the levels of business support across the network. This is particularly the case for larger companies who contribute significantly to the local and wider economy in terms of employment and/or the product or services they provide. Due to the sector or inability to meet growth criteria, they currently cannot be accepted into Scottish Enterprise account management. These companies still require business support, yet there is a clear gap in provision for them. This has been one of the key frustrations of the current Business Gateway contract and has placed additional pressure on the ability of the Business Gateway, local councils and other partners to support these companies.

In Lanarkshire, progress has been made in responding to these gaps in service provision by creating a Local Discretionary Service (Sub-Growth Pipeline) within the Business Gateway contract, and for those companies who cannot be accommodated within the Business Gateway contract, a complimentary “Additional Business Support” service has been created out with the main contract. These additional services have relied on local funding being diverted to support these businesses. In addition, the continuing ability to provide support through local council budgets will be subject to ongoing budget reviews and will also be dependent on the outcome of the current ERDF application.

It is vital that detailed discussions on post-2012 delivery of the Business Gateway commence as soon as possible and that the current gaps in provision are fully explored to ensure that future models are fit for purpose and provide appropriate support to those businesses who require assistance.
Q4. How joined up are the various agencies that are now charged with supporting economic recovery? Are there examples of successful partnership working between, for example, SE or HIE and local authorities? How has the establishment of the strategic forum assisted in this regard?

A4. At a regional level, there is now a lack of visibility of Scottish Enterprise activity. There is some continuing representation of SE at Community Planning Partnership and Local Economic Forum meetings, however, this is sporadic and there are no opportunities for strategic or operational planning discussions which had existed before the transfer of activities. Such discussions were invaluable to establishing and implementing regional economic strategies, policies and priorities, ensuring that local regeneration existed in a parallel and joined up way between local authorities and the local enterprise companies. This has resulted in a weaker local economic forum.

Q5. Have COSLA and SE been able to agree on what constitutes local, regional and national regeneration? Are local authorities maintaining levels of local regeneration activities? What benefits have accrued from the transfer of local regeneration activities to local authorities? What has been the impact on regional regeneration projects? Have any regeneration projects failed or been cancelled as a consequence of this transfer of responsibilities?

A5. COSLA and SE might have done this at a national level, however, it has only filtered down to a limited degree at local authority level. With some projects like Fusion Assets a clear line has been drawn, but with others, in particular Ravenscraig, which technically is a regional project and still with SE, the Council has found itself very much in the position of having to take the lead – with no financial recognition of this.

While North Lanarkshire and South Lanarkshire Councils have maintained local regeneration activity levels for this financial year, with local authority cutbacks and external funding streams such as the Town Centre Regeneration Fund, ERDF and Vacant and Derelict Land Fund ceasing at the end of this financial year, the Council will not be able to maintain activity at this level in the future. Potential new funding streams such as JESSICA are likely to be grossly over committed.

One of the main benefits is that councils are now better placed to take forward projects and activities which fit better with local authorities, and in our opinion, while still an issue, the pressure on annuality of spend, is not as severe in local authorities which ultimately means better value for money.

Ravenscraig has previously been mentioned as a regional project that has been neglected by SE. With regards to the other regional project in North Lanarkshire, Gartcosh, SE has disengaged from this, with the project now being taken forward very much in isolation from the Council. There is also little evidence that SE still consider this as a priority.

While Ravenscraig has not failed or been cancelled, it has certainly stalled as a result of apparent SE loss of interest, and is only proceeding as a result of North Lanarkshire Council’s initiative, funding and willingness to push forward with alternative funding mechanisms such as Tax Increment Finance.
Similarly, while the Clyde Gateway has received a fair amount of investment, there are now questions emerging around its future funding and the sustainability of the investment.

Q6. The Cabinet Secretary envisaged that Regional Advisory Boards would provide a link between local, regional and national delivery. How is this working in practice and what links have been provided?

A6. The Regional Advisory Boards do not have any visibility locally, nor appear to have the prominent role that the Local Economic Forums once had. They are therefore not providing the desired link between local, regional and national delivery as envisaged by the Cabinet Secretary.

Q7. What advantages has the establishment of Skills Development Scotland brought in terms of the delivery of the skills agenda and have there been any difficulties?

A7. Since the restructuring of the enterprise network and the formation of Skills Development Scotland, local authorities have raised a number of issues in relation to how the new organisation links into Community Planning Partnerships. The concerns have been discussed recently by the SLAED employability group and can be summarised as follows –

- Significant period where SDS staff disappeared from local partnerships - there was a period during the reconfiguration of SDS when there was a genuine lack of direction and input due to the nature of the review and the loss of experienced staff.
- Lack of input from SDS into CPP Outcome Agreements.
- Lack of local discretion for SDS staff.
- Apparent lack of effective financial planning and budget management – leading to large underspends.
- Inconsistency in audit requirements – issue with claiming of TFW outcomes not consistent with approach to auditing Business Gateway.
- Lack of transparency of financial allocations and lack of data sharing with local authority - in the past there has been a reluctance to share data, e.g. school leaver destinations and the mechanisms applied in effective data collection.

Attempts have been made to respond to these issues through the development of delivery agreements with SDS in each local authority area, however there is a consensus that the process of development has been lacking strategic direction and that often the end result lacks tangible outcomes for work between SDS and local authorities.

From a local authority perspective there have been no discernable advantages gained from the creation of SDS and the linking of the former Careers Service function, Skills function within Scottish Enterprise and Learn Direct. The transition process from the former agencies into the new organisation seems to have taken a considerably lengthy period. Part of this has been the creation of a new delivery structure which despite rhetoric appears to provide a far from integrated approach to service implementation from its component parts. The apparent rationale for the delay in development and implementation of delivery arrangements seems to be the reference to a new and young
organisation finding its feet. This would have been more easily accepted in 2007/2008 than in 2009/2010.

At a local level, one of the key issues arising was the complete removal of key management/senior staff who had long experience and understanding of our area over a number of years. This took place overnight, and despite best efforts, the engagement of SDS in important local partnership structures has proved challenging as new personnel have been appointed and taken up post. Given the significant changes over the first two years of its existence, there has been a perception of hiatus in service delivery at a local level.

Over the last year, SDS introduced a process of creation of Service Delivery Agreements at local authority level. The principle is laudable and was warmly welcomed in Lanarkshire. How successful its implementation has been remains to be demonstrated. There’s a sense that having introduced this approach expectations have been raised that SDS may have difficulty in meeting.

Furthermore, the varying compliance issues in delivering government contracts has created additional bureaucratic problems for local authorities, for example, Training for Work requiring signatures for validation. There are various contracts each of which has different processes for compliance. Each of these contracts is audited separately, rather than local authorities being audited as a single entity for all of its financial compliance and procedures.

In addition to this, there are specific issues that have impacted on local authorities, including:

- There are further requirements for the Local Authority i.e. to provide training for Careers School Staff on Curriculum for Excellence. This was not negotiated but has come from SDS (perhaps through the Minister).
- There are some issues in relation to the demands being made of school staff to provide data on school leavers at very short notice and there have been issues raised around the role of the school careers staff in supporting this activity. In the past, demands from SDS have not been complied with as the burden has often been left with the schools which has not been appropriate.

Issues also remain around access to information on SDS activities, performance and in particular investment levels locally that allow the Councils and other partners a greater understanding of its role and contribution to the wider employability partnership agenda and to outcomes and targets in the Single Outcome Agreements.

**Q8. How will services be protected in light of any planned further restructuring exercise within Scottish Enterprise and/or Highlands and Islands Enterprise?**

A8. The success of the transfer of the Business Gateway to local authorities lies in the ability of the contractor, Councils and other partners to work with and support local companies to ensure that local and wider economic needs are met through the delivery of localised joined-up business support. The move by Scottish Enterprise to work more on a regional and national basis and also on higher level initiatives has created a gap in the support mechanisms for those larger companies that do not meet the growth or sectoral criteria to be account managed by SE. The experience with the Business Gateway has shown that the focus on local delivery working with Individual companies
works well and achieves greater local outcomes. It is essential now that a delivery model post 2012 focussing on local provision addresses the gaps that now exist.

More fundamental, first principles analysis

Q9. Could the Scottish Government’s economic aims be achieved in a different way? Are there more successful or efficient models of delivery in other parts of the world?

A9. The Scottish economy still lacks a joined up economic strategy, particularly in light of current economic conditions. The Scottish Government’s Economic Strategy was ambitious in stating aspirational targets and aims for the Scottish economy, however, it was light on how these ambitions would be achieved. This was before the economic recession, and now that economic growth has experienced such sharp falls in 2008 and 2009, unemployment is at levels not seen for a decade, and with the economy yet to fully recover, a refreshed, realistic and targeted economic strategy is now due.

Lanarkshire has been particularly badly affected by the recession and has indeed been considered the ‘epicentre’ of the recession in Scotland, given the number of redundancies being announced by firms, the massive surge in unemployment and the impact that the recession has had on the area’s young people. As a result, further and continual investment will be required form the Scottish Government and partners involved in regeneration and economic development.

Q10. Could services be delivered as effectively, with greater efficiency, by a single agency or some other structure with increased shared services etc? Conversely, are a single economic strategy and the SE account management model suitable for both Scotland and the Highlands & Islands?

A10. Providing the Enterprise Network with more focused and specific priorities and responsibilities should have driven efficiency and helped de-clutter the landscape of economic development and regeneration, however, the lack of visibility of SE at a local level has lead to the organisation being superfluous in local and regional development. It has instead strengthened the role and increased the responsibilities of local authorities in driving economic development and regeneration at a local and regional level.

However, as this response has highlighted, some key regeneration projects that have slowed as a result of the change of SE’s responsibilities and the greatly reduced budgets particularly around physical regeneration. Similarly, services would certainly be more effective if SE engaged with local authorities and partnerships on a more regular and active way.

The link between the Government’s Economic Strategy and regeneration at a local level could also be improved. The Economic Strategy in its current form does not identify how local strategic partners can work together to achieve the targets of growth in the strategy. There appears to be a greater focus on the activity of SE and SDI than the increasingly important role and responsibilities that local authorities and partners have. Strengthening the link between the Government’s economic ambitions and how these can be achieved locally will therefore make the Economic Strategy a more suitable model for economic development.
Q11. What should be the role for a publicly-funded enterprise network, what activities should it be expected to deliver and what resources are required? Alternatively, what alternative exists to the current model in Scotland and what benefits would this have?

A11. The Enterprise Agency should have a clearer, reduced and more strategically focussed role. The Agency’s key role should be in investing in priority industries that will deliver greater economic impact and benefit for Scotland. This can either be in encouraging existing industries or supporting the development of new opportunities, e.g. advanced manufacturing and life sciences. The current structures are confusing and difficult to understand for local providers of economic and business development. This has resulted in greatly reduced effectiveness of local working relationships and has afforded little opportunity to develop relationships between the public sector support agencies and key sector companies locally. While the Enterprise Agency has key skills and expertise that should be retained, the role for the Agency should be clearer and fit more effectively with local priorities and delivery, such as Community Planning Partnerships.

Indeed, Community Planning Partnerships have been effective models of local and economic regeneration, particularly across Lanarkshire. CPPs have clearly demonstrated that they can be successful at working in collaboration to deliver services specific to local priorities. This response has already highlighted the sporadic nature of SE’s representation and involvement at CPPs and the negative implications this has had for the Agency’s reputation and impact for local economic regeneration.

12. Do the enterprise agencies’ methodologies for calculating the return on investment bear scrutiny? Which activities have been identified as delivering most return on investment?

A12. The local authority sector has historically not had common methods for measuring economic impact and return on investment, though through work being carried out by the Improvement Service and SLAED’s new national performance indicators, we are developing a more robust framework for measuring the impact of our economic development interventions. There may be merit in Scottish Government establishing a common framework to be used by all the agencies that are active in economic development.

South and North Lanarkshire Councils
SUBMISSION FROM STIRLING COUNCIL

1. **What impact has the rationalisation of the enterprise network and the abolition of the LECs had on the quality or effectiveness of the services delivered?**

The abolition of the LECs has had a serious impact on the visibility of Scottish Enterprise at a local level; this loss of visibility is a structural issue and has occurred despite the best endeavours of the staff from Scottish Enterprise who are working locally. The centralised structure has resulted in a more remote relationship between Scottish Enterprise and local authorities and businesses. This is exacerbated across a Council area such as Stirling, which sits at the centre of Scotland and consequently has a number of complex administrative geographies, looking to the Glasgow city region as much as Edinburgh. The Stirling Council area has a high degree of connectivity with Perth & Kinross, and we are working together to unlock the economic potential of both areas, most visibly in the collaboration on the RACMSA Rally of Scotland. The tourism sector illustrates the reduction in effectiveness of the services that are being delivered. Up until 2007 Scottish Enterprise Forth Valley offered a focused and tailored approach to tourism development across its area. After the 2007 reforms, urban Stirling and the rural area outwith the Loch Lomond & the Trossachs National Park was serviced from the Edinburgh office, but as this area is not one of the six national tourism destinations, assistance was only available through other sector initiatives, such as food and drink. The area covered by the National Park was dealt with from the Clydebank office, and there has been relatively little investment on the eastern side of the Park in recent years.

We now understand that as of 16th August the regional structure has been abolished and Scottish Enterprise are now organised into Scottish national teams delivering various sectoral and business support functions at a Scottish national level. The LECs created a disjointed approach to national economic priorities, resulting in a degree of sub-regional competition that detracted from the development of a cohesive enterprise strategy fulfilling and enabling the nation’s full economic potential. However, the positive local synergies developed between the LECs and the local authorities have now largely been lost.

2. **Has the transfer of activities, such as the Business Gateway service, to local authorities improved the delivery of services to local businesses and what evidence is there of this?**

For the Forth Valley Business Gateway contract Scottish Enterprise had ascribed the unrealistic VAT+ targets to the local area of 30% of start-ups despite the evidence of a sustained trend of achieving no more than 11%. Under local authority management, the Management Group agreed a change to the target, reducing this to a stretching 12.5% and freeing up much needed resources to support those businesses where support was merited but did not fit the new market segmentation approach introduced by Scottish Enterprise.

Re-directing some of the budget monies has allowed engagement with businesses that are not start-ups and are unlikely to ever meet the criteria for pipeline companies. These companies still form a backbone to the business
landscape and it is important that they continue to receive help in raising their professional and operating standards.

Both in delivering the current contract and in developing the proposition post 2012, the transfer to local authorities needs to be transparent and genuine, with the ability to adapt the contract to suit local conditions, whilst also recognising the issue of consistency across Scotland. Considerable thought will be required as to how both are achieved and it is important that the process is not delayed.

3. **What has been the experience of businesses that are not account-managed by Scottish Enterprise/Highlands and Islands Enterprise since the 2007 reforms? Are such companies finding it difficult to attract the support they need from the enterprise agencies and what evidence is there of this?**

At the local level businesses have indicated through the Stirling Business Panel annual survey a declining satisfaction with Scottish Enterprise as a business support provider, declining from a net satisfaction of 22 in 2005 to 17 in 2009. In addition the percentage of businesses contacting Scottish Enterprise for support has dropped from 46% in 2005 to 20% in 2009, suggesting the offer is not relevant or the businesses believe Scottish Enterprise cannot help them. There has been no increase in any other provider that might have been considered to be offering an alternative.

The local delivery of Business Gateway services will always be looking for pipeline potential, but for many businesses, the criteria are too prescriptive and narrow for them to be considered acceptable candidates.

4. **How joined up are the various agencies that are now charged with supporting economic recovery? Are there examples of successful partnership working between, for example, SE or HIE and local authorities? How has the establishment of the strategic forum assisted in this regard?**

Scottish Enterprise is a key partner in Stirling’s Community Planning Partnership. The main role is a member of the Stirling Economic Partnership, a grouping of key local players from the public, voluntary and private sectors. The group has developed and adopted ‘Open for Business’, Stirling’s economic strategy, and is delivering on the jointly agreed action plans to deliver the outcomes in the strategy.

We have an example of a successful partnership across the Forth Valley in Forth Construction. The Forth Construction forum has a membership of over 400 construction-related businesses in the Forth Valley area. The forum is overseen by a steering group of elected group members that includes representatives from Stirling Council, Clackmannanshire Council, Scottish Enterprise and Forth Valley College as well as representatives from various private construction businesses. The forum facilitates the flow of information between clients, the industry and key agencies; allowing its members to be best placed to take advantage of business opportunities. However, the main focus of the forum is to promote the expansion of each member business through various initiatives including training support and guidance on best practice.
One of our important local partnerships is the Stirling Business Panel, which now numbers more than 600 businesses. The Stirling Business Panel gives local businesses a voice in strategic planning, and is an effective way to raise important subjects and discuss business concerns on issues and services that affect the business community. The Council recognises partnerships with business as being key to local economic development. Scottish Enterprise has been represented on the Business Panel’s Executive Group since its inception, but has recently reluctantly given notice that they will not be able to attend on a regular basis, given the organisation’s revised focus. They would be available for relevant discussions, given notice.

5. **What distinctive contribution has been made by HIE as a result of its social/strengthening communities remit? Should the same obligation be applied to SE?**

We have no comment to make on the remit of Highlands and Islands Enterprise

We do not believe that an extension of Scottish Enterprise’s remit to encompass social / strengthening communities is necessary or advantageous. This role should to be left to local authorities, which are better connected to communities than the regional structure introduced by Scottish Enterprise. Engagement with communities is already well established across the Stirling Council area. The business community is engaged with the Council far more directly than previously, to ensure a balanced representation across the area.

6. **Have COSLA and SE been able to agree on what constitutes local, regional and national regeneration? Are local authorities maintaining levels of local regeneration activities? What benefits have accrued from the transfer of local regeneration activities to local authorities? What has been the impact on regional regeneration projects? Have any regeneration projects failed or been cancelled as a consequence of this transfer of responsibilities?**

A formula was agreed for allocating the funds based on a per capita basis, resulting in Stirling receiving £73,000 in 2009 – 2010, rising to £159,000 in 2010 – 2011.

In setting its 2010 – 2011 budget, Stirling Council approved the following additional £300,000 of expenditure under the heading of regeneration/economic development:

- Revenue costs of borrowing to fund £1m capital expenditure on infrastructure/access at the Kildean Business Park site - £60,000
- Modern Apprenticeships / Skills Training - To ensure that the Council, as the major employer in the area, is an exemplar in supporting a range of training, apprenticeships and employment initiatives - £100,000
- Business Improvement District – examination of the potential for a BID application or alternative model for Stirling city centre - £40,000
- Marketing Stirling - A budget to cover Council costs in marketing Stirling as a place to live, do business and visit. This budget would also cover costs of major Stirling events (e.g. Hogmanay, Celtic Festival, Scotland) - £100,000
The £159,000 of additional regeneration funds made available in the Revenue Support Grant has therefore been used to fund the Council’s economic development and regeneration priorities.

However, by disbursing these regeneration funds on a per capita basis rather than targeting resources to areas of multiple deprivation it could be argued that the jam is being spread too thinly, and that better outcomes would result from a more focused approach targeted at areas of need.

7. **The Cabinet Secretary envisaged that Regional Advisory Boards would provide a link between local, regional and national delivery. How is this working in practice and what links have been provided?**

If the Regional Advisory Boards are intended to be a link between local, regional and national then they do not appear to be working successfully. As a council we have not felt engaged with them up to now and have been unable to influence or even receive any feedback (other than papers and minutes) from them. This may change as our Depute Leader is about to join the board, but effective communication should not be reliant on being in attendance at the meeting.

8. **What advantages has the establishment of Skills Development Scotland brought in terms of the delivery of the skills agenda and have there been any difficulties?**

Skills Development Scotland appears to have been focused on internal issues relating to its own restructuring. The level of support and engagement available to local businesses has been compromised during this period and the branding of Skills Development Scotland following the integration of Learn Direct and Careers Scotland has been confusing at best and non-existent at worst. There was a local focus prior to reorganisation, but this has been damaged through lack of resource.

9. **How will services be protected in light of any planned further restructuring exercise within Scottish Enterprise and/or Highlands and Islands Enterprise?**

The impact of the Comprehensive Spending Review will impact across the public sector, and until more detail is known as to the particular patterns of cuts across Scotland, it is difficult to be definitive about this question.

However, there has to be scope to protecting service delivery in some key areas by engaging with the private sector, universities and colleges and others, to look at a far more co-ordinated approach to service delivery, with clearly defined outcomes and appropriate timescales. This will involve prioritisation of outcomes within the Single Outcome Agreement. It may need to focus on fewer strategic objectives.

10. **Could the Scottish Government’s economic aims be achieved in a different way? Are there more successful or efficient models of delivery in other parts of the world?**
The Scottish Government’s economic aims will only be achieved if we link together various elements between research and development and production. By way of illustration, the Scottish Government has invested heavily in renewable energy research with the expectation that it will deliver returns as the sector matures. There is no industry framework to support it and it is likely that any viable technology developed will be manufactured and delivered elsewhere. It is likely that Scotland will be exporting knowledge. However, we recognise that there is transferable infrastructure in the existing gas and oil manufacturing capacity, and there is merit in encouraging the opportunity and capability for these companies to compete and win in the renewable sector.

11. **Could services be delivered as effectively, with greater efficiency, by a single agency or some other structure with increased shared services etc? Conversely, are a single economic strategy and the SE account management model suitable for both Scotland and the Highlands & Islands?**

We are not in a position to offer an opinion as to whether a single enterprise agency covering both the Highlands and Islands Enterprise and Scottish Enterprise areas is practical.

With the level of savings required by the public sector over the coming years, a more strategic and overarching approach to shared services is required. In general, the most effective combination would appear to be Scottish Enterprise developing the strategic approach, with delivery at a local level being undertaken by local authorities and the Business Gateway contractors. Local authorities, with an intimate knowledge of the economic landscape and local problems, should take the lead in delivering solutions. Service support needs to be faster, sharper and right for its time and the only way you can achieve this over the longer term is to be closer to businesses in their locality.

12. **What should be the role for a publicly-funded enterprise network, what activities should it be expected to deliver and what resources are required? Alternatively, what alternative exists to the current model in Scotland and what benefits would this have?**

With regard to Business Gateway, it is important that an evaluation of the current contract is undertaken. This will enable a more informed choice to be made as to where to focus the increasingly scarce resources in the new Business Gateway contract post 2012. The contract needs to be fit for purpose.

One area where Scottish Enterprise has been less than helpful in assisting the Stirling economy to realise its full potential has been the failure to resolve the transfer of Scion House to Stirling University Innovation Park Ltd. Scottish Enterprise has been seeking Best Price for this asset as opposed to looking at Best Value in so far as a reduced price can release more funds to stimulate the Stirling economy. In terms of enabling the local authority and its partners to deliver economic benefits for the area, looking for what is in effect an unrealistic price for this asset is less than helpful.
13. **Do the enterprise agencies’ methodologies for calculating the return on investment bear scrutiny? Which activities have been identified as delivering most return on investment?**

No comment.

Stirling Council
September 2010
SUBMISSION FROM WEST LOTHIAN COUNCIL

“A fundamental review of the purpose of an enterprise agency and the success of the recent reforms”.

Key questions

Q1. What impact has the rationalisation of the enterprise network and the abolition of the LECs had on the quality or effectiveness of the services delivered?


As a local authority heavily involved in economic development and regeneration, we are supportive of the new structures as they provide distinct roles for local authorities to lead on local economic development, whilst the national agencies lead on strategic economic development.

West Lothian Council has been able develop and enhance local economic development in a number of areas since 2007 to improve delivery on the ground.

West Lothian Council also has Business Gateway contract delivery responsibility, being the lead partner in a delivery arrangements across Edinburgh & Lothian. The rationalisation has provided greater clarity on roles at a local level whilst retaining consistency of approach.

It is clear, however, that one of the unintended consequences of the review is that there has been a considerable reduction in local economic development expenditure, as only a proportion of previous LEC expenditure has been transferred to the local authorities. At the same time Scottish Enterprise has been required to achieve considerable efficiencies and focus its own activity on key priorities.

Q2. Has the transfer of activities, such as the Business Gateway service, to local authorities improved the delivery of services to local businesses and what evidence is there of this?

A2. West Lothian is in a unique position as we are holders of the Lothian Business Gateway contract. The transfer of local Business Gateway contracts to lead local authorities has therefore been successful from our point of view.

We have worked hard to integrate Business Gateway activity across all Lothian councils’ economic development activity. This has resulted in a much more value added service to the local business community.

In West Lothian we aim to deliver a one-stop shop approach for all business services including the local authority’s business facing functions such as planning, property, environmental health and licensing.
This joined up approach has facilitated the ability of West Lothian’s Business Gateway service to interface with other economic development functions including tourism and town centre management, and the businesses involved in these sectors. Examples include the delivery of tailored workshops to town centre groups and the appointment of a Business Gateway adviser with special responsibility for tourism/ rural development (backed by LEADER funding).

The Business Gateway service has also benefited from the expertise, resources and marketing channels of the local authority to increase local PR and other local marketing activities.

High levels of contract performance and customer satisfaction have been maintained in Lothian since the transfer of activities took place.

**Q3. What has been the experience of businesses that are not account-managed by Scottish Enterprise/Highlands and Islands Enterprise since the 2007 reforms? Are such companies finding it difficult to attract the support they need from the enterprise agencies and what evidence is there of this?**

A3. As a local authority and Business Gateway contractor, this is the one area that we feel operationally has been made more complex. Our view is that there is a genuine requirement to map out this process more clearly across Scotland as there appears to be anomalies in applying acceptance criteria across companies.

We understand, however, that this may in part be due to the on-going changes within the SE structure and account management responsibility.

One perception that persists amongst businesses is that Business Gateway only deals with start-ups and small businesses. This has been reinforced by national advertising campaigns.

Nationally and locally Business Gateway is now refocusing marketing activity to emphasise that services are provided for all companies, not just start-ups.

The current Business Gateway contract, which runs until 2012, is not fit for purpose and has a gap in providing support for companies not meeting SE growth criteria.

The recent reforms have given lead local authorities more flexibility, making it easier to work with a wider range of businesses. This is particularly important in the current economic downturn when fewer companies are able to meet the growth criteria for SE account management.

The flexibility and additional support funded from local authorities has allowed this to be addressed, but the current gap in provision should be included as part of the Business Gateway delivery model post 2012.

**Q4. How joined up are the various agencies that are now charged with supporting economic recovery? Are there examples of successful partnership working between, for example, SE or HIE and local authorities? How has the establishment of the strategic forum assisted in this regard?**
A4. As a result of the recent reforms, local authorities in the east of Scotland have joined with Scottish Enterprise to develop an East Company Growth Forum. The purpose of the forum is to look at ways of sharing best practice and addressing issues around account management, prospecting, SDI etc. This forum has had full participation from all local authorities and Scottish Enterprise, however the recent SE structure changes may make it difficult for Scottish Enterprise’s on-going involvement.

As well as working in partnership with the Lothian local authorities, Fife and Borders councils have partnered in a joint ERDF application to invest additional money into Business Development and Company Growth support in these areas.

West Lothian Council is a member of SLAED and COSLA. The council is also an active member of the Edinburgh Science Triangle and has recently joined the East Coast Renewables Collaboration.

There is a strong track record of partnership working on economic development in West Lothian. The West Lothian Economic Forum is one of the three “pillars” of the Community Planning structure. The Economic Strategy for West Lothian has recently been revised and re-launched for the period 2010-20. Scottish Enterprise was fully engaged in the process alongside other public and private sector stakeholders.

West Lothian Council recently led the launch of West Lothian Working Together, a partnership between the local authority, West Lothian Chamber of Commerce, Skills Development Scotland and JobCentre Plus. The promotion of a single source of access aims to increase local employer engagement in order to increase participation of employers and those seeking work in national and local employment initiatives.

Q5. What distinctive contribution has been made by HIE as a result of its social/strengthening communities remit? Should the same obligation be applied to SE?

A5. N/A

Q6. Have COSLA and SE been able to agree on what constitutes local, regional and national regeneration? Are local authorities maintaining levels of local regeneration activities? What benefits have accrued from the transfer of local regeneration activities to local authorities? What has been the impact on regional regeneration projects? Have any regeneration projects failed or been cancelled as a consequence of this transfer of responsibilities?

A6. In West Lothian the transfer of regeneration funding has primarily been deployed towards a key local objective of reducing the percentage of school leavers deemed as requiring More Choices, More Chances (MCMC) and tackling unemployment amongst young adults. The focus has been on providing intensive support through working with schools and colleges in West Lothian at a local level which previously would not have been possible. In addition, there has been investment in local training infrastructure in locations with the highest levels of need. Nevertheless, it would be stretching the truth to argue that this investment can be directly linked to the transfer of local regeneration responsibilities.
It is evident that there has been a reduction in local regeneration activities across Scotland since the abolition of the LECs. The previous agreement for a transfer of funding from Scottish Enterprise to the local authorities has been implemented gradually over a number of years, and in financial year 2009/10 Scottish local authorities only received a small proportion of what LECs had previously invested in this activity prior to their abolition. This may merit further investigation by the Committee.

Scottish Enterprise now focuses its activities on issues of national significance, and on priority sectors such as renewable, life sciences, digital media and tourism. However the majority of such projects pre-date the 2007 reforms, and the ‘pipeline’ of new projects across the country is limited. Funding constraints appear to have limited SE’s ability to develop new national projects, and the limited funding transfer to local authorities and reductions in capital budgets has prevented councils’ ability to develop new regional and local interventions. Of particular concern are the gaps in basic infrastructure provision – and this is inhibiting the capacity of areas like West Lothian to attract and retain private sector investment and constraining business expansion and job creation.

**Q7.** The Cabinet Secretary envisaged that Regional Advisory Boards would provide a link between local, regional and national delivery. How is this working in practice and what links have been provided?

**A7.** The decision by Scottish Enterprise to abolish LEC boards and introduce Regional Advisory Boards has diluted local authority representation. Through COSLA a rota has been approved for representation by two (out of four) local authorities from Edinburgh and the Lothians.

Generally relations between West Lothian Council and Scottish Enterprise remain positive. There are established bi-annual liaison meetings and Scottish Enterprise has consistently attended and contributed to the West Lothian Economic Partnership. These local partnership and liaison arrangements need to be safeguarded and strengthened as further restructuring in SE takes root.

**Q8.** What advantages has the establishment of Skills Development Scotland brought in terms of the delivery of the skills agenda and have there been any difficulties?

**A8.** The concept of combining the various agencies involved in careers development, learning and skills development has been helpful, as multiple agendas have been replaced by a single entity with a clearer focus. Working relations between SDS and West Lothian Council at a strategic and operational level in West Lothian have been strengthened since the creation of SDS. This has been extremely valuable particularly in addressing the MC, MC challenge in a more co-ordinated and joined-up way.

Nevertheless, it is also apparent that resource constraints and centralised decision making limit the scope for local SDS managers to respond to local area needs. This issue is likely to become more apparent with reduced budgets.

**Q9.** How will services be protected in light of any planned further restructuring exercise within Scottish Enterprise and/or Highlands and Islands Enterprise?

**A9.** n/a
Q10. Could the Scottish Government's economic aims be achieved in a different way? Are there more successful or efficient models of delivery in other parts of the world?

A10. The basic model of a clear national economic framework and vision, and strong and focused national agencies with local delivery via local authority based partnerships is sound. It would be counter-productive and potentially wasteful of resources to change the methods through which Scotland’s economic aims are pursued, particularly at this stage in the economic cycle and against a backdrop of budget cuts.

This should not preclude learning from other nations, states, regions or areas. However, selecting alternative national delivery models (from say Iceland and Ireland) is as difficult as picking winning businesses, and may not necessarily be replicable given different national conditions.

Q11. Could services be delivered as effectively, with greater efficiency, by a single agency or some other structure with increased shared services etc? Conversely, are a single economic strategy and the SE account management model suitable for both Scotland and the Highlands & Islands?

A11. The aim of the 2007 Review of Enterprise was to “declutter the landscape” at a local level, and this has now been achieved with a lead role for local authorities both in leading on local partnerships (under Community Planning and the development of Single Outcome Agreements) and in direct delivery of specific economic development services.

Additional benefits are also now being realised – through other council services being aligned to economic development objectives and thereby contributing to Scotland’s economic strategy.

At a national level there remains a significant number of Government agencies involved in economic development and employability activity including Scottish Government, Scottish Enterprise, Highlands and Islands Enterprise, Scottish Development International, VisitScotland, Skills Development Scotland, and Scottish Funding Council. (not to mention UK Government agencies particularly DWP and JC+)

Like other local authorities, West Lothian Council supports the role of the national agencies, and believes that strong partnerships can be delivered by national agencies working through local authorities as delivery partners.

The introduction of Government Economic Strategy (GES) has been helpful in focussing the work of national and local agencies on delivering a cohesive vision for Scotland’s economy. The Strategic Forum and Strategic Working Group have assisted by ensuring joined up thinking and delivering GES, and this model has strong potential for further development. The single economic strategy governing the whole country and all agencies is beneficial.

The Scottish Enterprise account management system generally works well, though there are businesses of local importance with growth potential who are denied access to the benefits of account management because of the rigid criteria. Nevertheless, particularly when Account Managers engage effectively with local authorities, they can help support
the development of companies. Where Account Managers draw on the support of local authorities in areas such as planning, commercial land and property transactions, regulatory functions and transportation, it is clear that this can help achieve very significant results for the companies involved.

It is essential that Scottish Enterprise Account Managers liaise closely with Business Gateway and local authorities (who are one and the same in a West Lothian context) to ensure a seamless delivery of services to the company sector and to avoid overlap which can cause confusion.

**Q12. What should be the role for a publicly-funded enterprise network, what activities should it be expected to deliver and what resources are required? Alternatively, what alternative exists to the current model in Scotland and what benefits would this have?**

A12. West Lothian Council supports the continuation of a publicly funded national enterprise agency to act as a strong strategic delivery arm for Scottish Government, working in partnership with local authorities at local level. There remains significant benefit in this being arms length from government.

The key role for SE as the national enterprise agency is to target investment into those areas which will deliver the greatest economic outputs for the country as a whole, and to support the growth and resilience of key companies. This role is particularly important in times of recession, and a flexible funding model should be developed to ensure that higher levels of funding are available at times of recession, and with commensurate lower levels of funding being provided when the economy is buoyant.

Although national agencies have a good track record of partnership with local authorities, this could be enhanced in the future, with the relevant agency providing strategic support to the local authority sector through guidance and funding to deliver national initiatives at the local level.

**Q13. Do the enterprise agencies’ methodologies for calculating the return on investment bear scrutiny? Which activities have been identified as delivering most return on investment?**

A13. This is a complex issue. There is a need for consistency and clarity on how outcomes are measured. A consistent methodology should be aspired to for all agencies and at national and local levels.

West Lothian Council has actively participated in work being carried out by the Improvement Service and SLAED on the development of new national performance indicators. This will provide a more robust framework for measuring the impact of our economic development interventions. There may be merit in Scottish Government establishing a common framework to be used by all the agencies that are active in economic development.

West Lothian Council
September 2010
Economy, Energy and Tourism Committee

Review of the Enterprise Networks:
A look at the transfer of functions to local authorities

The SPICe briefing paper ‘A look at the changing structure of the Enterprise Agencies’, provided to the Committee on 29 June 2010, summarised the structural changes that have occurred within the enterprise agencies following the publication of the Government Economic Strategy in November 2007. This paper considers, in more depth, the practical impact of the transfer of functions to local authorities (LAs).

Background

On 26 September 2007 John Swinney, the Cabinet Secretary for Finance and Sustainable Growth, set out the Scottish Government’s plans for the reform of the enterprise networks. In relation to LAs he stated:

“With Scottish Enterprise firmly focused on national and regional priorities it is entirely right that local authorities assume an enhanced role in local economic development… We have looked carefully at the enterprise networks’ current functions and identified those truly local activities which we believe should be transferred to local authorities enabling them to take, forward a much more significant role in building their own local economy.

The Business Gateway is such an example. It provides advice to new start and local businesses serving mainly local markets. It is appropriate that it should be delivered by local authorities with whom these businesses already interact on a range of local issues.

Local regeneration activity in the Scottish Enterprise area will also become the responsibility of local authorities. Currently Scottish Enterprise are engaged in a range of regeneration and economic development related activities including land and property interventions… We believe it makes more sense to take a cohesive approach to local regeneration by placing local authorities at the centre of this activity and for that reason responsibility for local regeneration will be transferred to local authorities” (Scottish Government 2007).
Transfer of resources from enterprise networks

Budget

Financial resources were transferred from both Scottish Enterprise and Highlands & Islands Enterprise (HIE) in relation to both the transfer of local economic regeneration and Business Gateway functions. These are highlighted in Tables 1 and 2.

Table 1 – budget transfers from Scottish Enterprise to LAs

<table>
<thead>
<tr>
<th>SE transfers</th>
<th>£m in 2009/10 prices</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008/09 Actual</td>
</tr>
<tr>
<td>To LAs for local regeneration</td>
<td>4.5</td>
</tr>
<tr>
<td>To LAs for Business Gateway - Contracts</td>
<td>12.4</td>
</tr>
<tr>
<td>To LAs for Business Gateway - Marketing and Quality Assurance</td>
<td>nil</td>
</tr>
<tr>
<td>Total to LAs</td>
<td>16.9</td>
</tr>
</tbody>
</table>

† Subject to final confirmation, these figures are assumed to be forecasts rather than budget.

Table 2 – budget transfers from HIE to LAs

<table>
<thead>
<tr>
<th>HIE transfers</th>
<th>£m in 2009/10 prices</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008/09 Actual</td>
</tr>
<tr>
<td>To LAs for Business Gateway</td>
<td>nil</td>
</tr>
<tr>
<td>Total transfers</td>
<td>nil</td>
</tr>
</tbody>
</table>

† Subject to final confirmation, these figures are assumed to be forecasts rather than budget.

To give an impression of scale, the 2010/11 transfer to LAs is equivalent to around 6% of Scottish Enterprises grant-in-aid in the same year and 3% of HIE’s.

Staff

Staff resource was transferred from the enterprise networks to LAs to enable them to undertake the management of the Business Gateway contracts. This included:

- 14 FTE’s being transferred from Scottish Enterprise to LAs
- 4 FTE’s being transferred from HIE to LAs

To give an impression of scale, the transfer of FTE’s is equivalent to around 1.5% of FTE’s in both Scottish Enterprise and HIE in 2009/10.

There were no staff transferred in relation to the transfer of the local economic regeneration function.
Allocation of resources to LAs

SLAED provided SPICe with information on how total funding for local economic regeneration is allocated to LAs in the Scottish Enterprise area:

In 2008 COSLA and the Scottish Government reached agreement on the nature of the resource transfer and it was established that LAs would benefit from additional resources for local economic regeneration of £12.5m annually. As Scottish Enterprise had legally committed capital spend on a number of local regeneration land and property projects it was agreed that capital would be made available to local authorities as and when these legally committed projects end. The amount available to local authorities on an annual basis therefore would be the balance of £12.5m minus the amount of legal commitments each year. It is anticipated that from 2011/12 onwards the full £12.5m will be available to local authorities.

The distribution of the funding is to be calculated by means of a formula agreed by COSLA and the Scottish Government which shares money on a pro-rata basis between Scotland's lowland authorities. The formula has been calculated on the basis of population share with each local authority receiving additional capital consent in 2008/09 as the first annual tranche of local economic regeneration transfer monies for reinvestment towards the economic development objectives contained within their Single Outcome Agreements. From 2009/10 the funding was made available as revenue.

The actual resource transfer of local economic regeneration monies to Scottish local authorities for 2008/09 and agreed amount for 2011/12 is understood to be:

<table>
<thead>
<tr>
<th>Year</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008/09</td>
<td>4.4</td>
</tr>
<tr>
<td>2009/10</td>
<td>3.9</td>
</tr>
<tr>
<td>2010/11</td>
<td>8.5</td>
</tr>
<tr>
<td>2011/12</td>
<td>12.5</td>
</tr>
</tbody>
</table>

It is anticipated by LAs that from 2011/12 the agreed award of £12.5m will be made available to local authorities on an annual basis (however, this will depend on the outcome of the 2010 Spending Review).

The Scottish Government, when asked if any policy guidance was issued to LAs with regard to the spending of local economic regeneration monies transferred, stated “Before resources transferred to local authorities, a series of detailed discussions took place between government and COSLA. COSLA advised local authorities of the outcomes of the discussions. Final amounts were set out in Scottish Government Finance Circulars” (correspondence with the Scottish Government 2010).
What are LAs doing differently in the area of local economic development since the transfer of functions?

COSLA has recently undertaken a study to assess the changes in LAs as a result of the transfer of functions. They have not yet provided SPICe with a copy of this study, but have provided the following information in the interim:

**Business engagement**

“Many councils have restructured partnership arrangements to provide businesses with a stronger voice in community planning matters and in developing their economic development strategy with enhanced employer engagement around the employability agenda. Working with local businesses to equip them in participating in local authority procurement opportunities is also developing”.

**Business Support**

“The most effective local interventions continue to come through the enhanced Business Gateway’s advice and support to local businesses. A number of targeted programmes have been introduced and Councils are currently putting around £8.5m into business support, on top of the £12.15m Business Gateway funding transferred from Scottish Enterprise. ‘One stop’ user-friendly arrangements for business are increasingly being established, linking council’s planning, licensing and environmental services. In addition the way activities such as capital programmes and infrastructure development are being adapted demonstrates pro-activity at a difficult time”.

“The range of services available for business has grown. Examples cited include help with exporting, workshops on business development uses, and a significant increase in priority industry sector activity”.

**Business Gateway**

“The survey shows that, despite some early cynicism among business organisations, the Business Gateway has developed well as a shared service across member councils and in partnership with other organisations. To ensure we avoid any unnecessary instability in this service at a time when it is really needed, senior local authority officer representatives on the Business Gateway Scotland Board have recommended that local authorities retain existing contractual arrangements in the Scottish Enterprise area until 2012”.

“Despite the recent reports of Scotland’s business start up rates having worsened by the recession (compared to other countries), this is not borne out by Business Gateway figures. Instead, we have recorded an increase of almost 8% on the number of new businesses started with Gateway assistance over the past year and have also achieved higher levels of customer satisfaction since its transfer”.
Local economic regeneration

“As part of an ongoing deal, a minimum of £8.5m of local regeneration funding will be transferred from Scottish Enterprise to local government in 2010/11. Following representations by SOLACE, COSLA has initiated a robust monitoring mechanism with Scottish Enterprise to ensure the actual amount to be transferred is known as early as possible. From 2011/12 on, £12.5m will be available to the 26 local authorities in the SE area, with up to a further £12.5m available for their Community Planning Partnerships priorities from 2013/14”.

In addition to the COSLA study, the Scottish Local Authorities Economic Development Group (SLAED) is also undertaking research relating to economic development services provided by LAs. By November this year SLAED hope to be able to provide a snapshot of economic development expenditure levels in the current financial year. SLAED are happy to provide this to the Committee in due course. It is also currently trying to gather information relating to total economic development expenditure over the transfer period, including all national agencies and their assessment of likely LA expenditure over the period.

Impact of transfers on the performance of Business Gateway

A key measure (but not the only measure) of the performance of Business Gateway is the number of business starts assisted. As such, COSLA have provided information on the number of business starts assisted across Business Gateway regions over the previous three years, shown in Table 3.

When analysing the data, it is worth bearing in mind:

- A new contract for the delivery of Business Gateway was let and went live in October 2007 introducing a new model for the delivery of Business Gateway. At this time of tendering new contractors were introduced in some areas. This makes it difficult to do a like-for-like comparison of business starts data prior to October 2007 and subsequent to October 2007.
- Day to day management of the Business Gateway contracts was transferred to LA control from Scottish Enterprise in April 2008 and from HIE in September 2009.
### Table 3 – Business starts assisted 2007/08 to 2009/10

<table>
<thead>
<tr>
<th>BG Offices</th>
<th>Business Starts</th>
<th>% change 07/08 to 09/10</th>
<th>% change 08/09 to 09/10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>07/08</td>
<td>08/09</td>
<td>09/10</td>
</tr>
<tr>
<td>Aberdeen City &amp; Shire</td>
<td>796</td>
<td>903</td>
<td>1001</td>
</tr>
<tr>
<td>Argyle &amp; Bute</td>
<td>-</td>
<td>-</td>
<td>66</td>
</tr>
<tr>
<td>Ayrshire</td>
<td>706</td>
<td>785</td>
<td>744</td>
</tr>
<tr>
<td>Borders</td>
<td>218</td>
<td>199</td>
<td>225</td>
</tr>
<tr>
<td>Dumfries &amp; Galloway</td>
<td>360</td>
<td>348</td>
<td>487</td>
</tr>
<tr>
<td>Dunbartonshire</td>
<td>540</td>
<td>506</td>
<td>516</td>
</tr>
<tr>
<td>Edinburgh &amp; Lothians</td>
<td>2759</td>
<td>2154</td>
<td>2236</td>
</tr>
<tr>
<td>Eilean Siar</td>
<td>-</td>
<td>-</td>
<td>35</td>
</tr>
<tr>
<td>Fife</td>
<td>702</td>
<td>714</td>
<td>777</td>
</tr>
<tr>
<td>Forth Valley</td>
<td>599</td>
<td>600</td>
<td>635</td>
</tr>
<tr>
<td>Glasgow</td>
<td>1221</td>
<td>988</td>
<td>1000</td>
</tr>
<tr>
<td>Highland</td>
<td>-</td>
<td>-</td>
<td>167</td>
</tr>
<tr>
<td>Lanarkshire</td>
<td>1159</td>
<td>1012</td>
<td>1108</td>
</tr>
<tr>
<td>Moray</td>
<td>-</td>
<td>-</td>
<td>83</td>
</tr>
<tr>
<td>North Ayrshire</td>
<td>-</td>
<td>-</td>
<td>31</td>
</tr>
<tr>
<td>Orkney Islands</td>
<td>-</td>
<td>-</td>
<td>18</td>
</tr>
<tr>
<td>Renfrewshire</td>
<td>665</td>
<td>526</td>
<td>709</td>
</tr>
<tr>
<td>Shetland Islands</td>
<td>-</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td>Tayside</td>
<td>668</td>
<td>731</td>
<td>730</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>10393</td>
<td>9466</td>
<td>10580</td>
</tr>
</tbody>
</table>

Note: data for BG offices in the Highlands & Islands is not available prior to 2009/10 as the service only became operational in September 2009.

Source: Correspondence with COSLA 2010

**Annexe 1** provides maps of performance against targets for assisting business starts in 2007/08 (the final year prior to the transfer of the Business Gateway function) and 2009/10 (the first full year for which Scotland wide performance data is available since the transfer of functions).

The maps illustrate a pattern of better performance against targets in the central belt and South of Scotland relative to certain areas in the North of Scotland. In the most recent year this may partly reflect difficulty target setting and/or the delay in the work marketing the newly constituted Business Gateway services in the Highlands & Islands area.

Note that these maps are not designed to facilitate year-on-year comparison, but instead to illustrate the relative performance against targets of different Business Gateway regions in each year.

Scherie Nicol & Kevin O’Kane
Financial Scrutiny Unit
SPICe Research
01 October 2010
Annexe 1 – Mapping performance against targets with business starts

Map 1: Performance prior to the transfer of Business Gateway to LAs

Note – LEC areas have been transposed to LA boundaries within this map.

Source: Correspondence with Scottish Enterprise and HIE 2010
Map 2 – Performance subsequent to the transfer of Business Gateway to LAs

Business starts 09/10
as % achievement of annual targets

% achievement of annual target 09/10
- Less than 100%
- Between 100 and 109%
- Between 110 and 129%
- More than 130%

Based on Ordnance Survey material with the permission of Ordnance Survey. Scottish Parliamentary Corporate Body 10039291.

Note – Business Gateway regions have been transposed to LA boundaries within this map.

Source: Correspondence with COSLA 2010
EKOS prepared a Review of local Authority Economic Development Activity for SLAED in October 2009. The report’s purpose was to understand the scale, scope and nature of local economic development in Scotland and to identify the key challenges that LAs will have to address. The report was based on responses provided by 31 of Scotland’s 32 councils to a survey regarding delivery of economic development services. Note that this review highlights the situation on the cusp of the transfer of functions from the enterprise networks. As situation will likely have changed somewhat in certain areas. Nevertheless, among the report’s observations and key conclusions were:

- There are currently around 1,100 staff employed in Local Authorities delivering economic development services across Scotland. Around 200 of those (18%) are above ‘Team Leader’ level.

- There is no consistency in the numbers of economic development staff between comparable LAs, based on either geographical size or level of economic activity. There is a significant range of staff resources by individual LA ranging from under 10 to over 100, with significant differences in numbers employed between broadly similar authorities.

- Overall there has been a slight increase in staff numbers over the previous few years, particularly at senior or technical officer levels. More councils reported a decrease in Director and administrative posts than report an increase in such staff.

- The total budget spend for economic development activities (capital and revenue) is estimated at £200 million – a figure that is reported to have increased slightly over the previous few years. Revenue and capital spend is estimated at averages of £135 million and £65 million, respectively, over the past 3 years; economic development departments report an earned income figure of around £85 million per annum from a range of sources, mainly EU Structural Funds and property income.

- There are currently a wide range of activities being delivered by economic development departments, the most common being town centre regeneration (30 LAs), area promotion (29 LAs), and business and enterprise services. Overall, business and enterprise services attract the greatest share of budgets. Not all LAs deliver against all Government priorities, reflecting the local nature of economic development priorities. Nearly 30% of LAs do not deliver any employability support and 20% do not deliver economic intelligence.

- EKOS’s review of council responses highlighted 4 main activities as areas of significant change over the previous 3 years. Those were Business Gateway transfer, Regeneration, Employability, and Tourism.

- Economic development is seen as a high and increasing priority by a significant majority of LAs, although issues about competing priorities may arise in the future. All but 6 of the 31 respondent LAs have formal economic strategies, the majority developed in the previous 4 years. These have a wide
range of priorities which reflect local circumstances, although they tend to focus around enterprise, infrastructure, skills and employment.

- 16 of the 31 respondent LAs considered that they had a clear lead role in developing appropriate strategy, with 5 placing the Local Economic Forum in the key role and 4 reporting strategy development in partnership with other organisations. There is a high level of local partnership activity, particularly around services such as employability, inward investment and trade promotion. Most LAs report strong partnerships with the Enterprise Networks, Visit Scotland and the private sector, but much weaker with FE/HE and the voluntary sector.

- There are no national reporting standards or performance measures which are reported that would allow an aggregation of outputs and outcomes to understand the impact of local economic activity at the national level. There appear to be some concerns around how appropriate the current Single Outcome Agreement indicators are in providing a clear understanding of economic performance or progress.

Background

1. An updated Climate Change (Annual Targets) (Scotland) Order 2010 (SSI 2010/draft) was laid on 22 September 2010 (Motion number S3M-7070); see Annexe B for a copy. This replaces the previous version of the Annual Targets Order which was rejected by the Scottish Parliament on 27 May 2010. The purpose of the SSI is to set the first batch of annual targets for the period 2010-2022, as required by section 4(2) of the Climate Change (Scotland) Act 2009 (“The Act”).

2. The Act requires that annual targets – in terms of maximum allowed emissions – are set for each year in the period 2010-50. In the first instance, the Act requires that the first batch of targets, for 2010-22, be set by 1 June 2010 – and if this deadline is not met that the annual targets are set as soon as reasonably practicable afterwards.

3. After the SSI was defeated, a short-life cross-party Working Group was established by the Scottish Government to consider issues around the annual targets. The working group met on four occasions and following its deliberations, Stewart Stevenson MSP introduced the new Annual Targets Order on September 22, 2010. The group’s minutes and papers can be viewed at:

   http://www.scotland.gov.uk/Topics/Environment/climatechange/scotlands-action/climatechangeact/secondarylegislation

4. The Scottish Government also requested advice from the Committee on Climate Change (CCC) on the appropriate level of annual targets. The Committee’s analysis set out a trajectory for annual targets which is consistent with meeting the interim target of 42% lower than the 1990 baseline for 2020 already in the Act. The CCC also provided analysis outlining a potentially larger impact of recession on Scottish emissions, (see Annexe C for the Executive Note on the Draft Climate Change (Annual Targets) (Scotland) Order 2010, which outlines the policy objectives and contains the analysis of the impact of the recession on Scottish emissions).

The Climate Change (Annual Targets) (Scotland) Order 2010

5. The proposed new annual targets for 2010-12 for the maximum amount of net Scottish emissions (expressed in kilo tonnes of carbon dioxide equivalent) are lower in each year than the targets contained in the previous Order (by 2,261 ktCO₂e in 2010, 2,229 ktCO₂e in 2011 and 1,851 ktCO₂e in 2012). The 2010 target meets the requirement that the target for that year be set lower than the estimated figure for 2009. For full details, please see Annexe D for the Climate Change (Scotland) Act 2009: Statement accompanying the Draft Order.
Proposed approach and timing

6. The Transport, Infrastructure and Climate Change Committee is to consider the new order on Tuesday 5 October 2010. If this is agreed by the Committee and then Parliament, the Scottish Government will present a draft Report on Proposals and Policies to the Scottish Parliament in mid-November. It is the Scottish Government’s intention that the Report be considered in parallel with consideration of the draft 2011-2012 Budget. See Annexe A for a copy of the letter from Stewart Stevenson MSP to Patrick Harvie MSP.

7. The Transport, Infrastructure and Climate Change Committee is the lead committee to consider the Report on Policies and Proposals. However, the Economy, Energy and Tourism Committee may wish to consider and take evidence on all, or parts of, the Report that are relevant to the remit of this Committee.

8. The Parliament has 60 days in which to consider the Report, which includes the Christmas recess, and therefore the Transport, Infrastructure and Climate Change Committee intends to complete its consideration by 21 December 2010. Any committee that wishes to report to the lead committee will need to complete its consideration by mid-December at the latest.

9. Given the short timescale and the Committee’s existing work programme, the Convener proposes that one of the three committee meetings that are current allocated for budget scrutiny be devoted to scrutinising both the Draft Report on Proposals and Policies and the budget implications of this. This could be considered at the meeting on Wednesday 24 November and any potential witnesses could be invited to give evidence at that meeting, including the Minister for Enterprise, Energy and Tourism and/or Minister for Transport, Infrastructure and Climate Change. The two remaining committee meetings currently scheduled for wider budget scrutiny (1 and 8 December) will be ring-fenced for appearances by the enterprise agencies and the Cabinet Secretary for Finance and Sustainable Growth respectively.

10. It is proposed that during this process the Committee concentrates on the same areas that it took evidence on in relation to the Climate Change (Scotland) Bill. These were: measures to promote energy efficiency of buildings in Scotland and an energy efficiency action plan; the introduction of measures for assessing the energy performance of existing non-domestic buildings; reducing energy demand and thereby emissions of greenhouse gases; and the promotion of the use of heat from renewable sources.

11. Given the relatively limited time for oral evidence, it is proposed that the Committee issues a call for written evidence in relation to the issues outlined above and considers as much written evidence as possible before inviting any witnesses to give evidence on Wednesday 24 November.
12. In summary, the suggested approach and timetable is as follows:

- Mid-November – the Committee issues a call for written evidence.
- 8 December – the Committee considers its report to the Transport, Infrastructure and Climate Change Committee on the draft Report on Proposals and Policies.

Action

13. The Committee is invited to discuss the proposed approach and—

- comment on and agree the proposed approach for taking written and oral evidence, subject to any changes that may need to be made should other business arise or events change;
- comment on and agree the proposed timetable; and
- agree to take the consideration of any draft report in private.

Diane Barr
Assistant Clerk to the Committee
October 2010
Annexe A

Minister for Transport, Infrastructure and Climate Change
Stewart Stevenson SP

T: 0845 7741741
E: scottish.ministers@scotland.gsi.gov.uk

21 September 2010

Patrick Harvie MSP
Convener
Transport, Infrastructure and Climate Change Committee
The Scottish Parliament
Edinburgh
EH99 1SP

Dear Patrick

Following a number of meetings of the short-life working group I established to consider the annual targets for greenhouse gas emissions, I now believe that sufficient support has been achieved for me to introduce a new Order, placing it in front of the Transport Infrastructure and Climate Change Committee and, in due course, in front of Parliament.

I am aware that there remains enthusiasm for making progress as quickly as possible and with that in mind I intend to lay the Order in Parliament tomorrow (Wednesday 22nd of September). I am hopeful that arrangements can be made to allow for rapid consideration of the Order and am happy to do what I can to facilitate that.

The next step after introduction of a new Order will be to present a draft Report on Proposals and Policies (RPP) to Parliament for consideration. We have aligned our preparatory work on the draft RPP with our preparation of the draft Budget, and we expect to provide Parliament with the opportunity to consider both key documents in parallel. Consideration of the RPP alongside the draft Budget will ensure that, in demanding financial circumstances, Scotland can take economic advantage of the opportunities required to reduce emissions.

The papers considered at meetings of the Working Group and formal notes of meetings will shortly be put on the Scottish Government's website at the following link:

http://www.scotland.gov.uk/Topics/Environment/climatechange/scotlands-action/climatechangeact/secondarylegislation

As you know, I am very grateful to all the members of the political groups in the Scottish Parliament who participated in the Working Group's meetings. I believe that the meetings of the Working Group were very constructive and may be a model for future collaborative policy development.

Kind regards

STEWART STEVENSON

Victoria Quay, Edinburgh EH6 6QQ
www.scotland.gov.uk
Annexe B

Draft Order laid before the Scottish Parliament under section 96(4) of the Climate Change (Scotland) Act 2009 for approval by resolution of the Scottish Parliament.

DRAFT SCOTTISH STATUTORY INSTRUMENTS

2010 No.

CLIMATE CHANGE

The Climate Change (Annual Targets) (Scotland) Order 2010

Made - - - - 2010

Coming into force - - 2010

The Scottish Ministers make the following Order in exercise of the powers conferred by section 4 of the Climate Change (Scotland) Act 2009(a).

In accordance with section 96(4) of that Act, a draft of this instrument has been laid before and approved by resolution of the Scottish Parliament.

Before the draft was so laid, the Scottish Ministers requested the advice of the relevant body(b) in accordance with section 5(1) of that Act.

Citation and commencement
1. This Order may be cited as the Climate Change (Annual Targets) (Scotland) Order 2010 and comes into force on the day after the day it is made.

Annual targets for the period 2010-2022
2. The annual targets expressed in tonnes of carbon dioxide equivalent(c) for the period 2010-2022 are as follows:—
   (a) the annual target for 2010 is 53,652,000;
   (b) the annual target for 2011 is 53,404,000;
   (c) the annual target for 2012 is 53,226,000;
   (d) the annual target for 2013 is 47,976,000;
   (e) the annual target for 2014 is 46,958,000;
   (f) the annual target for 2015 is 45,928,000;
   (g) the annual target for 2016 is 44,933,000;
   (h) the annual target for 2017 is 43,946,000;
   (i) the annual target for 2018 is 42,966,000;

(a) 2009 asp 12.
(b) In terms of section 5(7)(a) and (8) of the Climate Change (Scotland) Act 2009 the relevant body is the UK Committee on Climate Change.
(c) A “tonne of carbon dioxide equivalent” is defined in section 18(2) of the Climate Change (Scotland) Act 2009.
(j) the annual target for 2019 is 41,976,000;
(k) the annual target for 2020 is 40,717,000;
(l) the annual target for 2021 is 39,495,000; and
(m) the annual target for 2022 is 38,310,000.

Authorised to sign by the Scottish Ministers
St Andrew’s House,
Edinburgh
2 3
This Order implements the requirement imposed by section 4 of the Climate Change (Scotland) Act 2009 (“the 2009 Act”) for the Scottish Ministers to make an order setting annual targets for the maximum amount of the net Scottish emissions account for each year in the period 2010-2022.

The Scottish Ministers requested advice from the relevant body (the UK Committee on Climate Change (UKCCC)) as required by section 5(1) of the 2009 Act. The UKCCC advice is set out in “Scotland’s path to a low carbon economy” dated 24 February 2010, and available at http://www.theccc.org.uk/reports/scottish-report.

The UKCCC has produced further advice dated 8 September 2010 available at http://www.scotland.gov.uk/Topics/Environment/climatechange/scotlands-action/climatechangeact/secondarylegislation.

Article 2 of the Order sets the annual target for each year for the period 2010-2022. A Regulatory Impact Assessment has not been produced in relation to this Order as it has no direct impact on businesses, charities or the voluntary sector.
EXECUTIVE NOTE

DRAFT: THE CLIMATE CHANGE (ANNUAL TARGETS) (SCOTLAND) ORDER 2010

The above instrument will, if approved, be made by the Scottish Ministers in exercise of the powers conferred by section 4 of the Climate Change (Scotland) Act 2009 ("the Act"). The instrument is subject to the draft affirmative procedure.

Policy Objectives

The purpose of the instrument is to set the first batch of annual targets for the period 2010-2022, as required by section 4(2) of the Act.

An annual target for any year means the target for the maximum amount of the net Scottish emissions account set for that year. Article 2 of the instrument sets the annual targets for the years 2010-2022.

Section 4(2) of the Act required that annual targets were set for the years 2010-22 no later than 1 June 2010. Section 4(5) of the Act requires that, if this date is not met, the Scottish Ministers must set the annual targets as soon as reasonably practicable afterwards. Parliament voted to reject a previous version of the Annual Targets Order on 27 May 2010. The Scottish Ministers thereafter established a cross-party working group to consider the annual targets, with a view to meeting the requirements of section 4(5). As part of this process further analysis was received from the Committee on Climate Change on the appropriate level of annual targets (see Annex A). The Committee’s analysis sets out a trajectory for annual targets which is consistent with meeting the interim target for 2020 already in the Act (42% lower than the 1990 baseline).

The Scottish Ministers broadly accept the Committee on Climate Change’s analysis but have proposed targets for 2010-2012 which are lower (i.e. more stretching) than those contained in Table 2 of the Committee on Climate Change’s analysis. The Scottish Ministers believe that these targets are justified by taking account of policies which have already been introduced but which have not fully been reflected in the Committee on Climate Change’s projections.

In relation to 2013-22, the Committee on Climate Change has advised that targets follow a straight-line trajectory between 2012 and the target for 2020 of a 42% reduction against the 1990 baseline figure. For 2021 and 2022 the Committee on Climate Change has advised that targets are set to at 3% below the target for the preceding year, the minimum level required by the Climate Change (Scotland) Act. As the Scottish Ministers have proposed a lower target for 2012 than suggested by the Committee on Climate Change, the targets proposed for 2013-19 are correspondingly lower than set out in the third table of the Committee on Climate Change’s analysis. The targets for 2020-22 are as set out in that table.

1 The advice is also available at the following link: http://www.scotland.gov.uk/Topics/Environment/climatechange/scotlands-action/climatechangeact/secondary/legislation
Consultation

There is no statutory obligation for public consultation on this Order. However, the Scottish Ministers are required by section 5 of the Act to request the advice of the Committee on Climate Change as to the levels at which to set the annual targets. As noted in paragraph 5, the Scottish Ministers have proposed targets which broadly follow the advice of the Committee on Climate Change.

Section 4(3) requires that the Scottish Ministers have regard to any advice from the Committee on Climate Change on the appropriate cumulative emissions budgets for 2010-2050. The Committee on Climate Change has said that further detailed analysis is required before providing advice on this issue. This analysis will be undertaken as part of its work to provide advice on the UK’s fourth carbon budget, to be published in December 2010. This will allow advice on an appropriate cumulative emissions budget for Scotland to be provided to Scottish Ministers in early 2011.

Following Parliament’s decision to reject a previous Order, the Scottish Ministers established a cross-party working group to consider the annual targets. The group’s minutes and papers are available at [http://www.scotland.gov.uk/Topics/Environment/climatechange/scotlands-action/climatechangeact/secondarylegislation](http://www.scotland.gov.uk/Topics/Environment/climatechange/scotlands-action/climatechangeact/secondarylegislation)

Business and Regulatory Impact Assessment

A Business and Regulatory Impact Assessment is not required as the instrument will not, in itself, impose new regulatory burdens on businesses, charities or the voluntary sector. Rather, it is the proposals and policies to achieve the emissions reductions targets that will have a regulatory impact. These will be identified in the statutory Report on Proposals and Policies, to be laid in draft before the Scottish Parliament later this year. The individual measures, or related groups of measures, detailed in the Report on Proposals and Policies will be subject to Business and Regulatory Impact Assessment as appropriate.

A Regulatory Impact Assessment was carried out for the Climate Change (Scotland) Bill. The final Assessment was published in May 2009, and is available at the following address – [http://www.scotland.gov.uk/Publications/2009/05/01155216/0](http://www.scotland.gov.uk/Publications/2009/05/01155216/0).

Financial Effects

The actions necessary to achieve the targets are likely to have significant financial implications. The Act requires that a Report on Proposals and Policies for meeting annual targets is published as soon as reasonably practicable after setting annual targets. It is intended that a draft Report be published in September. The individual measures, or related groups of measures, detailed in the Report on Proposals and Policies will be subject to Business and Regulatory Impact Assessment as appropriate.

Drew McFarlane
Climate Change Division
Scottish Government
xx September 2010
CCC Briefing – Potential impact of the recession on Scottish emissions (updated analysis)

Authors: Laura McNaught and Ute Collier
Date: 8 September 2010

This note presents an update to the Committee on Climate Change (CCC) paper of July 2010 in which we presented an illustrative analysis of Scottish greenhouse gas emissions projections if trends observed in the UK in 2008 and 2009 were applied to Scotland.

The earlier paper applied UK trend data for 2008 and 2009 in the absence of emissions data for Scotland beyond 2007. However, the 2008 greenhouse gas inventory for Scotland has just been published, showing that the actual level of greenhouse gas emissions in Scotland was 3.0% lower than in 2007; a larger fall than in the UK as a whole (-1.9% in 2008). We have now updated our July analysis, applying 2009 UK trend data to actual Scottish 2008 emissions data.

The emissions projections and suggested targets presented in this paper differ from our previous paper in several aspects:

- The publication of the 2008 Greenhouse Gas Inventory for Scotland includes a revision to the estimate of the baseline year (1990 for carbon dioxide, methane and nitrous oxide; 1995 for fluorinated compounds (F-Gases)) level of emissions for Scotland, from 70,013 ktCO₂e (estimate as at Feb 2010) to 70,201 ktCO₂e (estimate in 2008 GHG inventory). We use the revised estimate in our analysis, which slightly alters the 2020 target (42% cut equates to 40,717 ktCO₂e rather than 40,607 ktCO₂e) and the trajectory towards it.

- We include 240ktCO₂e of industry & commerce non-CO₂ p.a. previously excluded from our non-traded sector baseline. This makes our emissions data consistent with the data used by the Scottish Government.

- The July 2010 paper suggested that targets for 2013 – 2022 should be set at the level originally outlined in our February 2010 advice. However, in this update we provide an illustrative path to 2020 that takes account of the revised estimate to 2012.

- Use of a ‘low’ GDP growth scenario

Summary results

UK greenhouse emissions fell by 8.6% in 2009 – 12.5% in the traded sector (i.e. electricity generation and energy intensive industry) and 5.7% in the non-traded sector
(e.g. heating and transport related emissions). These reductions occurred primarily as a result of the recession and are larger than previously forecast.

In the absence of equivalent 2009 emissions data for Scotland, applying UK rates of reductions for 2009 to 2008 Scottish emissions provides an indication of the impacts of the recession on Scottish emissions. We use this to calculate the potential levels of annual targets for 2010 onwards, including a revised path from 2013 – 2022 that takes account of the lower projected 2012 emissions.

Such analysis implies that targets for the maximum level of the net Scottish emissions account could be set for 2010 to 2012 at levels that reflect larger reductions on the 1990 baseline than originally suggested by the CCC advice in February 2010 (i.e. 23% compared to 20%). As in our February 2010 advice, the new analysis suggests that the targets for 2010-2012 should be constant\(^2\), reflecting the fixed nature of the EU ETS cap until 2012, as well as trends such as rising land-use emissions. However, a large reduction of 9.8% would occur from 2012-13, followed by annual reductions of between 2.3% and 3% thereafter.

It is important to note that this illustrative analysis does not take into account the differences in circumstances between Scotland and the UK as a whole, for which the original CCC modelling for the annual targets was designed. It is possible that actual emissions in Scotland will have been impacted to a greater or lesser extent, which will not be known until the actual inventory data is available (2011 for the 2009 emissions).

1. **Introduction**

According to the CCC’s 2010 progress report\(^3\), the 8.6% drop in UK greenhouse gas emissions in 2009 was largely due to the recession. This larger than expected drop, together with some progress in the implementation of measures should result in emissions lower than legislated for the first carbon budget (2008-2012).

At the time of our 2010 progress report, for Scotland, the latest year for which actual emissions data was available was 2007. We therefore considered a range of more recently available macroeconomic and energy demand data and concluded on the basis of these trends that it was likely that emissions will have followed a similar trend as in the UK as a whole.

2008 data for Scotland has now become available. To assist the deliberations of the Short-Life Working Group on Annual Targets, this paper provides an illustrative analysis of the possible impact of the recession on Scottish emissions. Our analysis illustrates the impact on Scotland’s greenhouse gas emissions if the emissions falls in the UK

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\(^2\) Targets for 2010-2012 round to 0% but entail small declines year on year.

\(^3\) Committee on Climate Change – ‘Meeting carbon budgets – ensuring a low carbon recovery’ (June 2010) - http://www.theccc.org.uk/reports/progress-reports/2nd-progress-report
(largely, but not fully attributable to the recession) in 2009 are mirrored in the same proportion in Scotland, with the aim of suggesting an indicative magnitude of impact.

The available macroeconomic data (for the economy as a whole and across major sectors) show that output has followed broadly similar trends over the course of the recession in Scotland and the UK, although with slight differences in some sectors\(^4\). While clearly this does not translate directly to an assumption that final emissions will follow the same trend, it does suggest that a similar magnitude of impact may be observed. However, there still remains considerable uncertainty about the actual impact of the recession on emissions in each sector in Scotland and again we iterate that the results we present should be treated as illustrative.

It is also important to note that the largest emission reductions (12.5% at UK level) have occurred in the traded sector which accounts for 41% of Scottish emissions. These reductions will have no bearing on Scottish annual targets which will be based on net emissions, applying the fixed EU emissions trading system (EU ETS) cap to emissions in this sector.

This paper briefly:

- Recaps the advice provided to Scottish Ministers on annual targets in February 2010
- Outlines the main emissions trends in Scotland in 2008 and the UK for 2008 and 2009
- Outlines the methodology and presents the result of applying the 2009 UK trends to Scottish data
- Summarises emerging trends in 2010 that may have a bearing on emissions in the near term.

2. Recap of advice and summary of emissions projections to 2012

Taking into account the timing of target setting (half way through 2010), and the lead time for any further policies to have an impact on emissions, the Committee’s advice to Scottish Ministers on annual targets recommended following official emissions projections for 2010 – 2012. This follows the approach taken in recommending levels of UK carbon budgets in October 2008.

However, a key difference in the analysis for the UK and Scotland was that UK projections were made pre-recession, whilst those for Scotland reflect GDP assumptions (based on Treasury budget 2009) that had been adjusted to allow for the recession. Since our advice in February 2010 there has been a further revision of GDP assumptions.

\(^4\) GDP as a whole fell by 4.6% and 4.7% in 2009 in Scotland and the UK respectively. The construction sector fell by slightly less in Scotland than in the UK in 2009 (by 9.7% and 11.1% respectively) while the service sector fell by the same proportion (falling 3.3% in Scotland and the UK). The production sector fell by slightly less in Scotland in 2009 compared to the UK (falling 8.9% and 10.2% respectively), although the chemical sector for example, fell by a far greater proportion (20%) in Scotland than the UK as a whole (5%).
Table 1 compares:
- Budget 2009 forecasts (which also underlie the model forecasting Scottish emissions projections\(^5\))
- The latest forecasts from the Office for Budgetary Responsibility (OBR).

However, as around 40% of Scottish emissions are accounted for by the fixed EU ETS cap, the impact of such relatively small changes in GDP are likely to be limited. In addition, GDP forecasts are uncertain and cannot be a firm guide to future emissions which are also influenced by a range of other factors, such as the weather (see section 6).

The ‘flat line’ trajectory of CCC emissions projections for 2010-2012 results from a fixed EU ETS cap\(^6\) over those years, and counteracting trends in other sectors\(^7\).

Table 1: Changes in GDP forecasts

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<thead>
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<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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<tbody>
<tr>
<td>Treasury Budget 2009 forecast (central)</td>
<td>+0.75%</td>
<td>-3.5%</td>
<td>+1.25%</td>
<td>+3.5%</td>
</tr>
<tr>
<td>OBR forecast June 2010 (central)</td>
<td>N/A</td>
<td>-4.9%</td>
<td>+1.3%</td>
<td>+2.6%</td>
</tr>
</tbody>
</table>

3. Scottish and UK greenhouse gas emissions 2008 (and 2009 UK only)

The 2008 Greenhouse Gas Inventory for Scotland shows that overall, emissions fell 3.0% between 2007 and 2008, with varying trends across sectors. For example, residential emissions rose 4.5%, while road transport emissions fell 3.1%. Overall, emissions stood at 56,080 ktCO\(_2\)e in 2008, down from 57,785 ktCO\(_2\)e in 2007\(^8\).

Greenhouse gas emissions in the UK as a whole fell by 1.9% in 2008 but still increased in some sectors. 2009 saw a much steeper fall in emissions overall (-8.6%) and falls across all sectors. The CCC’s 2010 progress report to the UK Parliament concluded that the overall emissions reduction in 2009 can be largely attributed to the recession. At the sector level in 2009:

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\(^5\) Note however that growth rates were derived for Scotland and for the individual sectors in the model used to forecast Scottish emissions, and only the economy wide UK GDP forecasts are presented here.

\(^6\) EU ETS emissions account for over 40% of Scotland’s emissions over 2010-2012 – these emissions will effectively be held constant by the cap, with no possibility of falling further as emissions below the cap will be offset by credit sales.

\(^7\) I.e. rising emissions from reduced land use removals, increasing aviation and shipping emissions; but falling residential emissions and broadly flat emissions from industry and commerce (non-traded).

\(^8\) Note these are gross emissions figures as presented in the greenhouse gas inventory and do not account for carbon trading e.g. through the EU ETS.
- Direct emissions in the residential sector fell 5% due to falling GDP, rising energy prices, and some implementation of energy efficiency measures.

- Direct emissions from non-residential buildings (public and commercial sectors) fell 5% and 10% respectively, again reflecting falling GDP and rising energy costs.

- Direct emissions from industry fell 18% reflecting a significant contraction in manufacturing output.

- Road transport emissions fell 3.9% as a result of falls in mileage and carbon intensity (more efficient vehicles in each category and a greater share of more efficient vehicles entering the stock).

The latest data for agriculture, waste, aviation and shipping emissions refers to 2008 and therefore the full impact of the recession on emissions from these sectors is unknown at this time. However the available data does show that UK aviation emissions fell 4% in 2008 as passenger demand fell 2%. Passenger demand fell a further 7% in 2009 as a result of the recession, suggesting that aviation emissions will show a substantial decline in that year when the data becomes available (in 2011).

4. Methodology

The analysis proceeds in the following steps

- We take 2008 GHG inventory data for Scotland as the starting point and apply the 2009 UK percentage change in emissions to each non-traded sub-sector (road transport, residential, industry process & industry and commerce).  

- For the years following 2009 we project emissions using STEPS and the low economic scenario in the model (which reduces growth rate assumptions by 0.5 percentage points per annum compared to previous analysis). Latest UK GDP data (2010 Q2) shows strong quarterly growth of 1.2%, but reduced assumptions reflect the downwards revision to trend growth in the latest official forecasts for the UK economy for 2010 onwards (see Table 1 above).

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9 It should be noted that the ‘Industry & Commerce’ sector covers both traded and non-traded sector emissions, and as defined here, emissions from a number of different sectors (i.e. public sector, business etc) which fell at varying rates over 2009. For this sector only therefore we apply to the estimated non-traded portion of the Industry & Commerce sector, an estimated reduction of 10%, which is a weighted average of the observed falls (provisional estimates) across the sectors that make up the ‘Industry & Commerce’ sector.

10 In providing advice to Scottish Ministers on annual targets in February 2010, the CCC commissioned Cambridge Econometrics to develop a projections tool for non-traded sector CO2 emissions in Scotland – the Scenario Tool for Emissions Projections in Scotland (STEPS). The full report of Cambridge Econometrics’ work is available at: www.theccc.org.uk/reports/supporting-research/
- Independent forecasts of the Scottish economy\textsuperscript{11} which currently predict that Scotland will not return to trend growth quickly, or at least until 2012.

- We add the new non-traded sector estimates to the fixed traded sector emissions for the years 2010 – 2012.

- For 2013 onwards we present a straight-line trajectory to meet a 42% cut in 2020 on the revised 1990 baseline

In laying secondary legislation relating to the Climate Change (Scotland) Act (including the provisions on annual targets) before the Scottish Parliament on 21\textsuperscript{st} April 2010, the Scottish Government’s accompanying statement\textsuperscript{12} outlined additional abatement opportunities in 2011 and 2012. Any further abatement identified by the Scottish Government would apply in addition to the figures we present here.

5. Result of applying UK emissions trends to Scottish emissions projections

If Scottish emissions follow the same proportionate reductions as the corresponding UK sectors, emissions in 2010 to 2012 will be lower in absolute terms than previous estimates suggest. However, overall emissions are still broadly flat over the period 2010 – 2012. This is due to similar reasons as in the original projections, including the fixed EU ETS cap and offsetting trends across other sectors.

The actual emissions levels implied (Table 2) would allow targets to be set around 23% lower than 1990 emissions for each year (as opposed to the 20% originally proposed), while still meeting the rules of the Scottish Climate Change Act.

\textsuperscript{11} Fraser of Allander Economic Commentary: http://www.strath.ac.uk/media/departments/economics/fairse/Latest-Fraser-of-Allander-Economic-Commentary.pdf and Ernst & Young Scottish ITEM Club: http://www.ey.com/Publication/vwLUAssets/Economic_outlook_Scotland_summer_2010/$FILE/EY_ITEM_Club_Scotland_Summer_2010.pdf

Table 2: Original proposed targets vs new emission estimates

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<th>2009**</th>
<th>2010</th>
<th>2011</th>
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<tr>
<td>Original emissions targets proposed by CCC (MtCO$_2$e)*</td>
<td>56.8</td>
<td>56.1</td>
<td>56.1</td>
<td>56.1</td>
<td>56.1</td>
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<tr>
<td>Original reduction on 1990</td>
<td>19%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
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<tr>
<td>Revised estimated emissions targets (MtCO$_2$e) based on 2008 emissions for Scotland and UK trends for 2009 (MtCO$_2$e)</td>
<td>55.3</td>
<td>53.9</td>
<td>53.9</td>
<td>53.8</td>
<td>53.8</td>
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<tr>
<td>Revised estimated reduction against 1990</td>
<td>21%</td>
<td>23%</td>
<td>23%</td>
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* As published in our February 2010 advice plus the c240KtCO2e previously excluded in the non-traded sector and overall baseline (previously subsumed within the traded sector cap). This also corresponds with Scottish Government treatment of these emissions.

**2008 and 2009 are not target years but illustrate the difference in the projections as a result of utilising the 2008 actual data and applying the 2009 UK reductions to the original projections.

Note – figures adjusted for the level of the EU ETS cap as estimated for Scotland.

Our previous analysis suggested that the path from 2013 onwards should follow the trajectory outlined in our original February 2010 advice. However, publication of the 2008 inventory includes a revision of the 1990 baseline. The level of emissions required in 2020 to achieve a 42% cut is now different from that originally suggested – i.e. the revised baseyear implies an emissions level of 40,717 ktCO$_2$e in 2020 rather than 40,607 ktCO$_2$e.

For the trajectory from 2013 – 2022 our analysis:

- Suggests a path of annual reductions to meet the 2020 target, (assuming that the EU target for emissions reductions is set to 30% and the traded sector cap tightens accordingly)
- Meets the obligations of the Act to have targets that represent annual reductions of 3% from 2020 onwards.
6. **2010 trends so far**

It may be of interest to consider the most recent macroeconomic and energy trends data for 2010.

Following the first positive quarterly growth since the recession in 2009 Q4, official forecasts of UK GDP suggest continued growth throughout 2010\(^{13}\), with recovery strengthening over 2011 and 2012. Latest GDP data for Scotland\(^{14}\) (2010 Q1) show a muted exit from the recession in 2009 Q4 (positive growth 0.3% over the quarter), although GDP remained level in the following quarter (2010 Q1), highlighting the fragile nature of the return to growth and in contrast to the UK position where growth in 2010 Q1 continued, at a rate of 0.3%. The latest available independent forecasts for the Scottish economy\(^{15}\) suggest positive growth will be maintained throughout 2010 and will increase throughout 2011 and 2012, albeit below the long run trend through these years.

Latest available energy trends data\(^{16}\) is only available for the UK as a whole. This shows that final energy consumption rose by 4% between the first quarter of 2009 and the first quarter of 2010, with rises in all sectors except transport which fell mainly due to the adverse weather conditions. In particular, domestic sector gas consumption was 12.5% higher than a year earlier, probably primarily due to the particularly cold weather.

Looking forward, some emissions falls are likely to be locked in (e.g. from the shift towards more fuel efficient vehicles in road transport), however there may be a return to

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<td>42.0</td>
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<td>38.3</td>
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<tr>
<td>% change 1990</td>
<td>31%</td>
<td>32%</td>
<td>34%</td>
<td>36%</td>
<td>37%</td>
<td>39%</td>
<td>40%</td>
<td>42%</td>
<td>44%</td>
<td>45%</td>
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<tr>
<td>Annual percentage change</td>
<td>9.9%</td>
<td>2.3%</td>
<td>2.4%</td>
<td>2.4%</td>
<td>2.4%</td>
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\(^{13}\) Office for Budget Responsibility (OBR) – pre-budget forecast, June 2010
http://budgetresponsibility.independent.gov.uk/d/pre_budget_forecast_140610.pdf

http://www.scotland.gov.uk/Topics/Statistics/Browse/Economy/GDP/Findings


emissions growth in other sectors as industry and consumers revert to previous behaviours as economic growth resumes.
The Climate Change (Scotland) Act 2009: Statement accompanying Draft Order to set Annual Targets laid in the Scottish Parliament on 22 September 2010

1. On 22 September 2010 a Draft Order to set annual emissions targets for 2010-22 was laid in the Scottish Parliament. This document addresses the requirement of section 5(4) of the Climate Change (Scotland) Act 2009 to produce an accompanying statement explaining the reasons for setting targets at the levels proposed in the Draft Order, and the extent to which the targets take account of the target-setting criteria listed in the Act.

**Act requirements**

2. The Act requires that annual targets – in terms of maximum allowed emissions – are set for each year in the period 2010-50. In the first instance, the Act requires that the first batch of targets, for 2010-22, be set by 1 June 2010 – and if this deadline is not met that the annual targets are set as soon as reasonably practicable afterwards. Parliament voted to reject a previous version of the Annual Targets Order on 27 May 2010. A short-life cross-party Working Group was then established by the Scottish Government to consider the annual targets further.

3. There are some requirements on the levels at which the targets must be set:
   - For 2010, the target must be less than the estimated figure for 2009;
   - For 2011-19, the targets must be set at an amount consistent with a reduction over that period which would allow the interim target and 2050 target to be met; and
   - For 2020-50, the target must be set at an amount that is consistent with a reduction over that period which would allow the 2050 target to be met and in each year be at least 3% less than the target for the preceding year.

**Reasons for setting targets at the proposed levels**

4. The targets proposed in the Draft Order take account of advice from the Committee on Climate Change (CCC) and of the deliberations of the Working Group which was set up to give consideration to annual targets following Parliament’s vote to reject a previous Order. The Group’s papers are available on the Scottish Government’s website.

5. The CCC provided initial advice to the Scottish Government on 24 February 2009, outlining a targets trajectory which, if met, would mean that the interim target was also achieved. The Scottish Government broadly accepted this advice, but set...

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18 [http://www.theccc.org.uk/reports/scottish-report](http://www.theccc.org.uk/reports/scottish-report)
targets for 2010-12 somewhat more stretching than suggested by the CCC, after taking account of policy actions not included in the CCC’s analysis.

6. As part of the deliberations of the Working Group the CCC provided further analysis outlining a potentially larger impact of recession on Scottish emissions. This justifies setting more stretching targets than the CCC’s original analysis suggested.

7. The Scottish Government has broadly accepted the CCC’s further analysis as the basis for setting targets for 2010-22. The targets proposed for 2010-12 are, however, again more stretching than in the CCC’s analysis, on the basis of taking account of policy actions not included in the CCC’s analysis.

8. Targets for 2010-12 are outlined in Table 1. The proposed emissions targets are substantially lower in each year than the targets contained in the previous Order (by 2,261 ktCO₂e in 2010, 2,229 ktCO₂e in 2011 and 1,851 ktCO₂e in 2012). The 2010 target also meets the requirement that the target for that year be set lower than the estimated figure for 2009. The CCC’s analysis suggests that emissions could be 53.9 MtCO₂e in 2009, with the targets for 2010 set at 53,652 ktCO₂e.

| Table 1: Comparison of targets for 2010-12 proposed in successive Orders (ktCO₂e) |
|---------------------------------|--------|--------|--------|
| Target in previous Order (voted on by Parliament in May 2010) | 55,913 | 55,633 | 55,077 |
| Currently proposed targets | 53,652 | 53,404 | 53,226 |
| Year-on-year change in targets | - | -0.5% | -0.3% |
| Percent reduction against baseline | -23.6% | -23.9% | -24.2% |
| Percent reduction against baseline in previous Order | -20.1% | -20.5% | -21.3% |

9. In relation to 2013-20, the CCC has advised that targets follow an essentially straight-line trajectory between 2012 and the target for 2020 of a 42% reduction against the 1990 baseline figure. The exception is 2013 where a large reduction in the target level is advised due to the EU Emissions Trading System beginning its third phase in that year. At that point there will be a step-change in the total number of allowances available to participants in the System. For 2021 and 2022, the CCC has advised that targets are set 3% below the target for the previous year, the minimum required by the Climate Change (Scotland) Act.

10. As the Scottish Ministers have proposed a lower target for 2012 than suggested by the CCC, the targets proposed for 2013-19 are correspondingly lower than set out in
the CCC’s analysis. As highlighted in Table 2, the targets for 2013-19 now proposed are lower than in the previous version of the Order.

11. The targets proposed for 2020-22 are exactly as set out in the CCC’s analysis. The targets are slightly higher than had been proposed in the previous Order, due to a revision to the figure for 1990 base year emissions. As the base year figure is now slightly higher (70,201 ktCO₂e vs 70,013 ktCO₂e), the level of emissions which constitutes a 42% reduction (as required in 2020) is also slightly higher. The targets for 2021 and 2022 are set 3% below the target for the previous year.

Table 2: Comparison of targets for 2013-22 proposed in successive Orders (ktCO₂e)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target in previous Order (voted on by Parliament in May 2010)</td>
<td>50,301</td>
<td>48,903</td>
<td>47,495</td>
<td>46,117</td>
<td>44,747</td>
</tr>
<tr>
<td>Currently proposed targets</td>
<td>47,976</td>
<td>46,958</td>
<td>45,928</td>
<td>44,933</td>
<td>43,946</td>
</tr>
<tr>
<td>Year-on-year change</td>
<td>-9.9%</td>
<td>-2.1%</td>
<td>-2.2%</td>
<td>-2.2%</td>
<td>-2.2%</td>
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<tr>
<td>Percentage reduction against baseline</td>
<td>-31.7%</td>
<td>-33.1%</td>
<td>-34.6%</td>
<td>-36.0%</td>
<td>-37.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target in previous Order (voted on by Parliament in May 2010)</td>
<td>43,384</td>
<td>42,012</td>
<td>40,607</td>
<td>39,388</td>
<td>38,206</td>
</tr>
<tr>
<td>Currently proposed targets</td>
<td>42,966</td>
<td>41,976</td>
<td>40,717</td>
<td>39,495</td>
<td>38,310</td>
</tr>
<tr>
<td>Year-on-year change</td>
<td>-2.2%</td>
<td>-2.3%</td>
<td>-3.0%</td>
<td>-3.0%</td>
<td>-3.0%</td>
</tr>
<tr>
<td>Percentage reduction against baseline</td>
<td>-38.8%</td>
<td>-40.2%</td>
<td>-42.0%</td>
<td>-43.7%</td>
<td>-45.4%</td>
</tr>
</tbody>
</table>

Cumulative emissions budget

12. The Act requires that advice is taken from the CCC on the appropriate cumulative emissions budget, and that Ministers must have regard to this advice. The CCC has said that further detailed analysis is required before such a budget can be provided but that it will carry out this analysis as part of its work on the UK’s fourth carbon budget, to be published in December 2010. Advice to the Scottish Government on the appropriate cumulative emissions budget will be provided in early 2011.

13. The CCC has already stated that meeting the interim target would put Scotland on the path to achieve its 2050 target and would be an appropriate contribution to global emissions reductions in 2020. It is not envisaged that the further analysis it will conduct will alter the CCC’s advice on the appropriate trajectory for 2010-20, although it is relevant for the appropriate targets through the 2020s.
Target-setting criteria

14. The potential implications for the target-setting criteria listed in section 4(4) of the Act are set out in Annex A. These criteria have implications for the particular courses of action taken to reduce emissions as well as for the appropriate targets.

15. The Scottish Government’s actions to meet these targets will be set out in the draft Report on Proposals and Policies to be published later this year. The Act requires that Ministers have regard to representations, resolutions, or reports published by any Committee of the Parliament before publishing a final version of that report.
ANNEX A: TARGET SETTING CRITERIA

The Scottish Ministers are required to have regard to a set of target-setting criteria listed in section 4(4) of the Act when setting the annual targets. This annex highlights what relevant considerations the Scottish ministers have had regard to under each of the criteria, including any advice received from the CCC.

Of course, these criteria have implications for the particular courses of action taken to reduce emissions as well as for the appropriate targets. As noted previously, the Act requires that a Report on Proposals and Policies, setting out how the Scottish Ministers intend to meet the targets, be published, which will be available later this year.

(a) the objective of not exceeding the fair and safe Scottish emissions budget

The Act defines the fair and safe Scottish emissions budget as “the aggregate amount of net Scottish emissions for the period 2010-2050 recommended by the relevant body (the CCC as matters stand) as being consistent with Scotland contributing appropriately to stabilisation of GHG concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system”.

The CCC has not suggested a specific budget at this time. The CCC has however, said that the interim target of 42% is an appropriate contribution to global emissions reductions in 2020 and would put Scotland on the path to meeting its 2050 target. The annual targets for 2010-2020 are, in turn, consistent with meeting the interim target.

The CCC has said that further consideration of the appropriate path will be done as part of the CCC’s work on the fourth budget period, to be published in December 2010 with advice to the Scottish Government to follow in early 2011. It is not envisaged that this consideration would alter the CCC’s advice on the appropriate trajectory for 2010-20, though it is relevant for the appropriate trajectory through the 2020s.

(b) scientific knowledge about climate change

The overwhelming weight of analysis indicates that global warming is real and cannot be explained unless human activities are taken into account. If left unchecked, climate change will become an increasing threat to our security.

Globally, the 17 warmest years on record have all occurred in the last 20 years, and the UK has experienced 8 of the 10 warmest years on record since 1990. Continued GHG emissions at or above current rates would cause further warming and induce many changes in the global climate system during the 21st Century that would very likely be larger than those observed during the 20th Century.

Changes that are likely to be of particular concern include altered frequencies and intensities of extreme weather, together with sea level rise which are expected to have
mostly adverse effects on natural and human systems. Regional scale features including changes in wind patterns, precipitation and aspects of extremes and sea ice are causes for concern. Increasing ocean acidification is likely to have negative impacts on marine organisms. Some impacts may be abrupt or irreversible depending on the rate of change.

Although adaptation to these impacts will be possible in many cases, unmitigated climate change would, in the long term, be likely to exceed the capacity of natural, managed and human systems to adapt. The time at which such limits could be reached will vary between sectors and regions.

Many impacts can be reduced, delayed or avoided by mitigation of global greenhouse gas emissions. Mitigation efforts and investments over the next two to three decades will have a large impact on opportunities to achieve lower emissions and stabilise the climate at lower CO$_2$ concentrations. Delayed emission reductions significantly constrain the opportunities to achieve lower stabilisation levels and increase the risk of more severe climate change impacts.

In order to stabilise the concentration of GHGs in the atmosphere, global emissions would need to peak by 2020 and decline thereafter.

(c) technology relevant to climate change

The recently published Scottish Government discussion paper ‘Towards a Low Carbon Economy for Scotland’ identifies the significant changes we envisage as a result of the move towards a low carbon economy$^{19}$, this paper suggested that:

- We will generate and use energy far more efficiently. The era of cheap energy is over, with responsible government working hard to optimise the supply of low carbon energy and to support those less able to afford it. Households may generate energy for their own use and for sale to others. The energy efficiency of our buildings - both old and new - will be transformed. New forms of individual and public transport will utilise electric vehicles and low carbon fuels. High energy users in industry, agriculture and food production will adopt new energy efficient technology and practices.

- We will have invested heavily in new systems. Significant innovation and investment will be made by individuals, business and government. Investment in electrifying transport, low carbon or renewable energy, energy efficient products, services, buildings and other environmental and clean technologies. There will be a strong focus on ensuring fairness across society in access to low carbon systems.

Focusing on the energy supply the two cornerstones of this transition in Scotland are renewables and Carbon Capture and Storage (CCS), both these sectors involve emerging technologies and markets that could lead to considerable economic benefits for Scotland.

- Scotland is well placed to take a leading role in the development and commercialisation of CCS. We have the knowledge and expertise in our universities and industry; significant storage potential; the infrastructure in the North Sea, and the strong leadership in government necessary to make this happen. Our vision is for Scotland to become a leader in the demonstration and deployment of CCS technology, utilising the advantages and strengths that we possess and ensure that our experience and knowledge can be shared with others to the benefit of Scottish based firms, academics and others. Specifically we want to see a number of CCS demonstration and research projects being developed in Scotland, as part of the longer term deployment of CCS. The Scottish Government published a CCS Roadmap on 10 March 2010, setting out the key timescales to ensuring the Scottish Government vision for CCS for Scotland is made a reality.

- As a result of support primarily from the EU ETS and the Renewables Obligation, the electricity generation mix in Scotland will evolve by 2020 and more significantly over the decade to 2030. The envisaged future generation mix comprises significantly larger shares of renewable technologies with additional baseload capacity provided by fossil fuel plants fitted with CCS technology. In making this transition, we will require a far larger and smarter electricity grid, capable of managing fluctuations in supply and demand. International interconnectors will also need to be developed, to facilitate exports to countries with lower potential sustainable energy deployment.

- Scotland has important generation advantages for renewable sources that will support these de-carbonisation goals. In order to realise the potential of its natural resources, supply chain and innovation strengths, it is vital that Scotland develops its ports and adjacent manufacturing hubs in tandem. One of the key actions identified in the Renewables Action Plan was the development and publication of a National Renewables Infrastructure Plan (N-RIP)\(^{20}\). This plan was published in January 2010 and in its first stage prioritises the key ports and harbour installations in Scotland with potential to service offshore wind market. Phase 2 of the plan was published in July 2010\(^{21}\) focussing on building concrete investment plans and accessing finance for delivery.


In transport, there is the potential for a positive economic impact on both consumers and business users due to improvements in vehicle efficiency and increased use of alternative-fuel vehicles, which could reduce the cost of travel by cars and light goods vehicles. There may also be the opportunity for a range of new sectors, products or services to be developed. These include:

- research and development of low carbon vehicle (LCV) technologies;
- production of bio-fuels, either by farmers or through bio-engineering processes;
- provision of renewable energy generation;
- development of refuelling and recharging systems for LCVs (including battery exchange);
- IT development, including smart card technology and Intelligent Transport Systems.

(d) economic circumstances, in particular the likely impact of the target on—

- the Scottish economy;
- the competitiveness of particular sectors of the Scottish economy;
- small and medium-sized enterprises (SMEs);
- jobs and employment opportunities.

The Scottish Economy

The CCC’s advice is that the cost to the economy of meeting the 2020 target is likely to be less than 1% of GDP, which the CCC advises should be accepted given the costs and consequences of not acting. Many of the individual measures necessary to help meet the emissions reduction target can be achieved at a negative cost (i.e. financial savings – usually from reduced demand – outweigh the cost of making the change).

Other necessary changes, such as investment in low carbon infrastructure will be more costly but this investment is needed now if we are to achieve the savings needed in the longer term out to 2020 and beyond.

Scotland (and the wider UK) is of course currently emerging from a deep recession. Recovery is expected to be modest in the short-term as the economy take time to fully adjust to the effects of the recent financial crisis. The recession has reduced the capital available for current investment purposes and will put significant pressures on public spending in the next few years. For example, UK public sector investment is forecast to bear a significant burden of the upcoming fiscal consolidation. Gross public sector investment is currently scheduled to fall by an average 8.7% in real terms between 2011/12 and 2014/15\(^{22}\).

Given both the short and long term contexts, there is a significant opportunity to identify and prioritise those areas of public expenditure that accelerate short-term economic recovery as well as drive longer-term sustainable economic growth. Stimulating low

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\(^{22}\) Source: Emergency Budget, June 2010
carbon opportunities has therefore been identified as a key priority in the Government’s Economic Recovery Plan\textsuperscript{23}.

This focus aligns with a recent OECD report\textsuperscript{24} which highlights that ambitious policy action to address climate change makes economic sense and, echoing Lord Stern, that delaying action could be costly in both economic and environmental terms.

Irrespective of the route chosen to meet its targets, it is the Government’s intention to deliver the overall reduction in emissions necessary in the most cost effective manner.

In meeting the targets it is already clear from the work undertaken that, in aggregate, costs rise as we transit to a low-carbon economy, though within that overall position there may be positive implications for some. How or on whom the costs will fall is impossible to predict as the impact will be affected by individual business and household circumstances. The Scottish Government intends to publish a Low Carbon Economic Strategy, which will identify how Scotland will maximise economic benefit from the move towards renewable and climate change targets.

*The competitiveness of the particular sectors of the Scottish economy*

There is potential for competitiveness impacts and possible leakage of production as a result of climate change mitigation policy for sectors which are both energy-intensive and tradable or potentially tradable, and subject to a carbon price.

The CCC’s December 2008 report suggested that around 0.7% of Scottish GDP and less than 0.5% of employment came from industries that could potentially see cost increases of greater that 5%. Some sectors, such as aluminium and cement production, have been assessed to be exposed to risk of carbon leakage outside of Europe and are eligible under the EU Emissions Trading Scheme to receive free carbon allowances to mitigate this risk.

More generally, Scotland’s enviable natural resources, research expertise, and industrial base provide firm foundations to capitalise on the growth of renewable energy, CCS and improvement in energy efficiency. The renewable energy sector, supported by wide ranging activities in other low carbon goods and services will increasingly represent one of Scotland’s most powerful areas of comparative advantage as we transit to a low-carbon world.

We also have globally-competitive firms in the energy and power generation sectors and research excellence in such areas as fuel cells, battery technology and software engineering. The collaborative pooling in energy and climate change RDD&D through the Energy Technology Partnership, the Scottish Centre for Carbon Storage and

\textsuperscript{23} http://www.scotland.gov.uk/Topics/Economy/economic-situation
Scottish Alliance for Geoscience, Environment & Society will help to underpin the performance of our businesses.

Overall, Scotland stands to benefit from pursuing a low carbon economy. Given the scale of the economic and environmental opportunities, the role of the Scottish Government and the Enterprise Networks is to help the private sector identify and maximise Scotland’s economic potential.

**Small and medium-sized enterprises (SMEs)**

SMEs accounted for 99% of all firms and around 53% of employment in Scotland as at March 2009. The transition to a low carbon economy will therefore present significant opportunities but also short-term challenges for the sector.

While all small firms will be impacted through increased energy bills, there are opportunities in the micro-renewables sector for generators and installers in the electricity, heat, and energy efficiency markets. Small firms will also benefit from the introduction since April 2010 of the Feed in Tariffs, and the proposal at the UK level for a Renewable Heat Incentive that will act to stimulate market demand. The incentives will also make it economical for small firms to install micro-generation or energy efficiency technologies, enabling them to obtain both revenues from energy generation and reduce fuel bills.

The roll-out of smart metering for certain small firms will also help to offset increases in the cost of energy. In addition, the Scottish Government continues to provide additional support to small and micro-scale renewables through the Communities and Renewables Energy Scheme and Energy Saving Scotland.

The EC Directive 2009/28/EC, on the promotion of energy from renewable sources, emphasises the role for renewables in providing opportunities for employment and regional development, particularly in rural areas. The positive impact of renewables and decentralised energy production more generally on social cohesion and employment, particularly in relation to SMEs and independent energy producers, could help sustain remote and rural small businesses and communities in Scotland.

**Jobs and employment opportunities**

Research suggests that the size of all low carbon sectors had in the past been substantially underestimated and by the end of 2008 supported over 70,000 jobs in Scotland.  

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27 For a fuller explanation of the likely areas of growth see: *Towards a Low Carbon Economy for Scotland: discussion paper* [http://www.scotland.gov.uk/Publications/2010/03/22110408/0](http://www.scotland.gov.uk/Publications/2010/03/22110408/0)
The Scottish Low Carbon Environmental Goods and Services sector was worth £8.5 billion in 2007/08\(^{28}\) and forecast to grow to around £12 billion by 2015/16, double the projected size of renewable technologies. Employment in this emerging sector is estimated at around 73,000 (or 3% of the total Scottish employment).

The Home Energy Apprenticeship Programme announced in April 2009, aims to provide Scotland with highly skilled people in all aspects of energy efficiency and energy use in the home. In the future it is hoped that it will build a framework of energy professionals to support the long-term ability of energy companies to contribute to energy efficiency goals, a key part of delivering our overall emissions reduction target.

(e) fiscal circumstances, in particular the likely impact of the target on taxation, public spending and public borrowing

The Scottish Government’s position is that Scotland’s interests would be best served by giving greater responsibility to the Scottish Parliament and Government. A number of key levers that would assist with the delivery of emissions reductions are presently reserved to the UK Government.

Under the current devolution settlement, the main responsibilities for energy policy and regulation are reserved, as are a number of additional key policy and fiscal levers such as speed limits on motorways, fuel and vehicle excise duties, other ‘green taxes such as landfill tax, climate change levy and aggregates levy, packaging and so forth). Both *Energy: Taking forward our National Conversation*\(^{29}\) and the White Paper – *Your Scotland Your Voice*\(^{30}\) - set out in more detail how transfer of responsibilities could allow energy policy to contribute more effectively to energy efficiency and climate change targets, as well as to other priorities such as fuel poverty and energy security.

As matters currently stand, decisions in Scotland can be used to re-enforce or counter some of the consequences of actions taken at the UK level (such as to focus additional resources on improving domestic energy efficiency – e.g. funding the Home Insulation Scheme) or investing more in public transport to enable modal shift.

**In considering how to meet the costs of delivery measures to tackle climate change, there are some key issues for consideration, such as:**

- the split of public and private spending and the rationale for public sector intervention;
- the balance between mitigation and adaptation e.g. house insulation and flood prevention expenditures;
- channelling current economic development support towards low carbon investment;
- promoting investment in appropriate infrastructure;


We recognise the need to understand the issues, opportunities and global
dynamics of finance. Scottish Government and partner organisations are leading
work on the Scottish Low Carbon Investment Project to attract international
investment to low carbon projects across Scotland.

The project involves an assessment of the low carbon investment opportunities across
private and public sectors Scotland-wide and an assessment of the supply of related
capital and of the appetite for investment in Scottish projects within the international
investment community.

The current focus is on working with Edinburgh Chamber of Commerce to deliver a high
profile international conference in Edinburgh on 28 and 29 September. This will provide
a unique forum for Government, international finance, utilities and developers to engage
directly, bringing projects and investors together to raise debate on the risks and
rewards of major capital, public/private and venture size projects in the low carbon
sector.

In the June 2010 Emergency Budget, the Chancellor confirmed the creation of a ‘Green
Investment Bank’, to handle Government funding and leverage private investment in the
low carbon economy. The UK Government is considering a wide range of options for
the scope and structure of the Green Investment Bank, with details expected to be
announced following the Comprehensive Spending Review.

Related to this, we welcome the recent progress made in our discussions with the UK
Government over the operation of the Fossil Fuel levy and their commitment to review
the current arrangements as part of the 2010 Spending Review. Access to Scotland's
Fossil Fuel Levy Surplus, currently approximately £190 million, will provide an important
source of investment for Scotland's growing renewable industry, as well as contributing
to the objective of responding effectively to the challenges presented by climate change.
We continue to press for a quick resolution of this issue so that the funds can be
accessed as soon as possible, in a way that is additional to the Scottish budget.

(f) social circumstances, in particular the likely impact of the target on those living in
poorer or deprived communities

Research suggests that not only are the most deprived people often more exposed to
specific climate change impacts, they also find it harder to recover when they occur.\(^{31}\)
The individuals and groups most likely to be affected by a changing climate include those:

- with health problems;
- with poor mobility;
- living in places at risk;

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\(^{31}\) SNIFER 2009 *Differential Social Impacts of Climate Change in the UK*, www.sniffer.org.uk
• with low levels of income;
• who lack awareness of the risks of climate change;
• who lack insurance cover;
• who are less well supported by family, friends and agencies; and
• children and young people.

The Scottish Government will, through the systematic use of Equalities Impact Assessments, continue to integrate equality considerations into development of policies to help address the impacts of climate change. Furthermore, the Government will continue to work with the Third Sector, which delivers essential assistance to vulnerable groups.

Making the necessary adjustments in the economy to reduce emissions by the required amount is likely to raise prices relative to where they would otherwise be, possibly most prominently through energy bills. UK level analysis suggests that the package of policies set out will mean average domestic energy bills will be 9% higher in 2020 than they would otherwise be, and around 6% higher than the average current bill.

Of course the precise impact on individual households will vary dependent upon levels of energy demand, take up of energy efficiency measures such as cavity and loft insulation and levels of self generation. The CCC estimates that the combined net impact of all these measures will be to reduce the number of households in fuel poverty by 2022.

In future when EU ETS allowances are increasingly auctioned there is the possibility that at least some of the auction revenue is recycled to improve energy efficiency still further.

(g) the likely impact of the target on those living in remote rural communities and island communities

Climate change is already presenting challenges for Scotland’s remote rural and island communities. Disruptions to key infrastructure and transport links have larger and more sustained impacts on those communities which don’t have access to alternative routes and infrastructure.

The Scottish Government co-funds the UK Climate Change Risk Assessment, which is due to report by January 2012. This will provide an enhanced understanding of the likelihood and scale of climate change impacts on Scotland, enabling Government to more effectively target its adaptation response by sector and geographically.

It is crucial that the differential impacts of national policy on remote and rural communities are considered in order to explore more flexible options. Greater fiscal responsibility would allow Scottish Ministers to request a more equitable approach, with a view to ensuring that all parts of Scotland are able to share in the benefits of
sustainable economic growth. For example a general ability to vary fuel duty levels could help rural businesses.

In relation to transport, policies aimed at reducing GHG emissions are intended to be felt right across the country, but their greatest effects will be in urban areas. Certain policies have the potential to reduce problems of rural isolation and social exclusion, such as those which seek to bring services closer to people, and those which will introduce a wider range of transport options for urban and rural dwellers alike. Certain other policies are aimed specifically at dealing with congestion problems in towns and cities, so these will have very little impact on people living in more rural areas.

Increasing afforestation levels will provide employment in woodland establishment and related sectors (eg nurseries); in the longer term there will also be economic opportunities from wood processing and increased use of wood for fuel.

As noted above, EC Directive 2009/28/EC, on the promotion of the use of energy from renewable sources highlights the role for renewables in providing opportunities for employment and regional development, especially in rural areas.

(h) energy policy, in particular the likely impact of the target on energy supplies, the renewable energy sector and the carbon and energy intensity of the Scottish economy

The CCC’s analysis notes that the intermittent nature of wind generation could pose issues for security of supply, but that in practice this can be managed through having adequate back-up capacity. This makes the issue one of cost rather than security of supply, and the CCC’s view is that cost implications are not prohibitive.

CCC advice highlights that there may be a need to address the design of the market to ensure that adequate investment in back-up capacity takes place, and that DECC and Ofgem are considering options in this area. It also highlights an important role for the Scottish Government in relation to removal of barriers relating to planning and transmission. Overall, the CCC’s advice suggests that there would be economic benefits from increasing the levels of low-carbon power generation and improvements in energy efficiency.

The implications of the targets on the security and affordability of energy supplies is an important issue in both Scotland and across the UK. As part of the March 2010 Budget, the Treasury and DECC have published an interim Energy Market Assessment report, which sets out the UK Government’s initial conclusions on the capacity of the electricity market to deliver clean, secure and affordable supplies of electricity in the long-term 32.

While generation policy is largely reserved, significant aspects are in effect devolved to Scotland through planning powers and promotion of renewable energy and energy

efficiency. The Scottish Government intends to be actively involved in the future
development of this work with two main aims, firstly to ensure it supports the
decarbonisation and investment ambitions in Scotland and secondly to guarantee the
best outcome for consumers and energy efficiency ambitions in Scotland.

(i) environmental considerations and, in particular, the likely impact of the targets on
biodiversity

The likely impact of setting annual targets was considered as part of the pre screening
process required by the Environmental Assessment (Scotland) Act 2005. The pre
screening notification (ID: PRE\00200), was published on 20 January 201033.

It was concluded that the existence of a target or targets to reduce emissions does not
in itself have an environmental effect. It is the measures that are implemented to
attempt to achieve those targets that will have environmental effects.

The earlier SEA on the consultation on proposals for the Scottish Climate Change Bill
considered a range of high level and more detailed level options for reducing Scotland’s
GHG emissions34.

The SEA on the Bill consultation, along with other existing Scottish Government SEAs,
will already contain assessments relevant to many of the proposals and policies that will
form part of the Report on Proposals and Policies to be published in September. However, where existing assessments do not provide sufficient coverage to ensure
adequate breadth of assessment, as well as enough detail, the Scottish Government
intends to undertake further SEA on the measures to be included in the RPP prior to its
publication.

There are, of course, a number of areas in which there could be co-benefits of
mitigation measures. In agriculture, for example, avoiding gaseous losses of nitrogen
containing fertiliser is likely to result in better water and air quality while increasing the
organic matter content of can increase soil workability as well as reducing soil erosion
and compaction.

There are also safeguards in place to avoid actions which support the Scottish
Government’s climate change objectives having negative environmental impacts. Grant-aided forestry schemes, for example, must comply with the requirements of the
UK Forestry Standard and associated environmental guidelines. In addition, where
afforestation proposals are likely to have significant effects on the environment they are
potentially subject to Environmental Impact Assessment. A significant proportion of the
increased woodland cover is likely to consist of new native woodland.

33 http://www.scotland.gov.uk/Topics/Environment/SustainableDevelopment/14587/SEAG
(j) European and international law and policy relating to climate change

As the advice from the CCC makes clear, achieving our ambitious targets will require the support of actions by the UK Government, and particularly the EU.

The EU currently has a target of reducing emissions by 20% between 1990 and 2020. A global deal at UN Climate Change Conference in Copenhagen in December 2009 would have triggered an increase in the EU’s target. This did not happen and instead the ‘Copenhagen Accord’ was agreed. This notes the need to stop global temperatures rising more than 2°C, but is a non-binding agreement. The EU has entered a “20% to 30%” figure, making it clear that a move to the latter is dependent on other developed countries taking similar action and developing countries agreeing to take action to reduce their emissions increase.

The move to the “30% world” is crucial to the achievability of a 42% interim target (and the associated annual targets), through the impact that it will have, amongst other things, on the EU Emissions Trading System, which limits emissions from large carbon-intensive users of energy. It will also affect the level of reductions available from policies on reserved matters, as the UK Government, with the support of Scottish Ministers, has made a parallel commitment to moving to a higher target if the EU’s target is increased.

http://unfccc.int/home/items/5262.php
Economy, Energy and Tourism Committee

27th Meeting, 2010 (Session 3), Wednesday, 6 October, 2010

Appointment of a chief executive at Scottish Development International

Background

1. The Committee has received the following letter from the Cabinet Secretary for Finance and Sustainable Growth in relation to the process of appointing a new chief executive post at Scottish Development International (SDI); see annex for copies.

2. Members will recall that this issue was raised during the Committee’s recent inquiry into international trade\(^1\). In the Committee’s inquiry report, members agreed the following paragraph relevant to this issue—

   “254. The Committee is concerned at the delay in appointing a new Chief Executive for SDI and we recommend that Ministers proceed to make a permanent appointment as soon as possible.”

3. In light of the correspondence received, the Convener has requested that this issue is added to today’s meeting for discussion.

Action

4. Members are requested to consider the correspondence and discuss what, if any, further action is required.

Stephen Imrie
Clerk to the Committee
October 2010

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LETTER FROM THE CABINET SECRETARY FOR FINANCE AND SUSTAINABLE GROWTH AND ADDITIONAL ATTACHMENTS

Cabinet Secretary for Finance and Sustainable Growth
John Swinney MSP

T: 0845 774 1741
E: scottish.ministers@scotland.gsi.gov.uk

Iain Smith MSP
Convener
Economy, Energy and Tourism Committee
The Scottish Parliament
Edinburgh
EH9 1SP

16 September 2010

APPOINTMENT OF CHIEF EXECUTIVE, SCOTTISH DEVELOPMENT INTERNATIONAL

Thank you for your letter of 3 September 2010 seeking information about the recruitment of the post of Chief Executive of Scottish Development International (SDI).

The Scottish Government, in consultation with Scottish Enterprise and Highlands and Islands Enterprise, is working to secure the appointment of this key post which will require the successful individual to represent Scotland at the highest levels on the international stage. Given the importance of this role in maintaining Scotland’s international interests and reputation, building on SDI’s success in attracting inward investment, and boosting exports and economic growth, I believe that it is vital that every effort is made to attract the right candidate.

Following Lena Wilson’s appointment as Chief Executive of Scottish Enterprise, a recruitment process was set in train in January 2010 using the advert (with a closing date of 12 February 2010) and job profile (dated January 2010) enclosed.

The Board membership was Sir John Elvidge, the then Scottish Government Permanent Secretary; Lena Wilson; Lord Robert Smith, Chair of the Weir Group; and Sir Neil McIntosh, Civil Service Commissioner and who chaired the Board. A search for candidates was conducted by Hudson Global and interviews were held in May 2010.

Regrettably, no candidate was able to demonstrate that they could meet the representational requirements of the post. Therefore in June this year, following consultation with the Permanent Secretary, I requested that the competition be closed and the post re-advertised with greater emphasis on the ambassadorial role of the Chief Executive position.
The post was re-advertised in August using the advert (closing date 15 August 2010) and job profile (dated July 2010) enclosed. Hudson Global are again conducting a search for candidates and interviews are scheduled to take place on Friday 17 September.

Sir Neil McIntosh will again chair the Board, the membership of which has been adjusted slightly. It will comprise Sir Peter Housden, the new Scottish Government Permanent Secretary; Bob Downes, the Director of Openreach Scotland; Willy Roe, the Chair of Highlands and Islands Enterprise; and Lena Wilson.

I expect to be able to announce the new Chief Executive of SDI around the end of September. In the meantime, I am confident that the interim measures put in place will ensure that SDI’s strong track record of delivery continues.

JOHN SWINNEY
INITIAL JOB ADVERT (CLOSING DATE 12 FEB 2010)

An opportunity to help Scotland's growth.

Chief Executive
Scottish Development International
Glasgow
Executive package

Scottish Development International (SDI) is an award winning joint venture involving the Scottish Government, Scottish Enterprise (SE) and Highlands and Islands Enterprise (HIE). With over 230 staff and 22 offices worldwide, it aims to attract high value foreign direct investment (FDI) to Scotland and help Scotland's businesses to internationalise. It is a point of contact with the Scottish Government for senior figures from those countries where the offices are located, working as part of an integrated structure with embassy-based Scottish Government colleagues in the US and China. It is fully integrated into the economic development delivery of Scottish Enterprise and HIE and aligned with the Scottish Government's wider international activity and promotion of Scotland as a place to live, work, visit and study.

Accountable to the Management Board of SDI comprising representatives from the Scottish Government, Scottish Enterprise and Highlands and Islands Enterprise, you will be a key member of both SE’s senior leadership team and the Scottish Government’s senior management team. SDI contributes to Scottish Enterprise’s and Highlands & Islands Enterprise’s business plans as part of the Scottish Government’s Economic Strategy.

Working closely with partners, and stakeholders and Scottish Government Ministers you will lead an organisation whose purpose is to support the internationalisation of Scottish companies, to engage with and attract overseas companies to trade with Scotland and Scottish companies. Securing foreign direct investment is essential to maximise new investment in key sectors, and a key element in delivering the Scottish Government’s purpose of sustainable economic growth. To this end, you will be expected to develop, implement and communicate a vision of the role SDI can best play and where to channel its resources in challenging economic times.

You will focus on winning the right kind of investment – investment which is secured because of Scotland’s skills base, our science and research excellence and our infrastructure. Integration with Scottish Enterprise sector and business support mechanisms is therefore essential. Internationalisation will continue to focus on those markets which offer the greatest potential for Scottish companies. SDI will need to continue to ensure that companies recognise where the best opportunities are for their business and help build their capacity to do more business internationally, such as the growing economies of China and India.

In addition to leading the SDI organisation, you will also have a key role internally as a leader and externally representing the organisation at the most senior level with both potential and existing external clients and organisations, including negotiating deals.

You will be expected to advise Scottish Government Ministers regularly on how SDI’s resources can be best deployed to support the Scottish Government’s purpose and the objectives in its international framework.

In doing the above, the Chief Executive will play a leading role in the wider promotion and branding of Scotland overseas.

Main responsibilities

- To continue to develop the strategy to realise value from Scotland’s competitive assets and ensure it is aligned with the Scottish Government’s economic strategy, its key sector approach and Scotland’s company base.
- To support and advise the SDI Management Board in developing and confirming that strategy, and the direction of travel of the organisation.
- To work co-operatively across the 3 joint venture organisations to support Ministers in developing Scotland’s international standing and economic reputation, and to undertake initiatives that will enhance both Scotland’s and its companies’ attractiveness.
- To maximise the interface with other parts of Scottish Enterprise, particularly Operations and Industries directorates.
- To ensure that SDI is adequately managed and resourced, with trained talent to deliver the strategy and business targets.
- To lead effectively the SDI team to deliver its strategy and targets.
- To fulfil responsibilities as a corporate leader.
- To ensure there are relevant and agreed targets for SDI – meaningful measures linked to increased GVA for the Scottish economy.

Relationship management requirements

- Internal partners within SDI and the Scottish Government.
- Ministers and MSPs.
- UKTI.
- The wider business representation community – CBIL, Chambers of Commerce, IOD.
- Councils, local authorities and their representative bodies.
- Senior customer relationships (both existing and targeted) based upon the segmentation strategy.
- The Scottish academic community.
- VisitScotland and other Scottish public sector agencies with an international remit.

Specialist knowledge

- Economic development or business experience, particularly at international level is essential.
- Commercial experience and acumen is vital.
- An awareness of how SDI contributes to the Government Economic Strategy and the knowledge and credibility to be able to contribute to that discussion.
- Understanding of globalisation and how global investment flows work.
- Understanding of the dynamics and process of FDI in the current market place.
- A background in any one of Scotland’s key sectors is desirable.
- Degree in economics, business or finance.
- Ability to sell Scotland as a personal attribute.

Skill requirements

- Selling, marketing and negotiating.
- Relationship building and management.
- Constructing deals and joint ventures.
- Leadership and people management.
- Influencing.
- Political awareness.
- Resilience.
- Sense of cultural empathy – being alert to the differences of doing business in a variety of cultural environments.

To apply, please send your full CV, and details of your current remuneration package to Karen Scott, Managing Director, Hudson Executive at: scidev@hudson.com or telephone for a confidential discussion with our Search partner on 0845 601 0576. Details of this opportunity can be found at www.uk.hudson.com/scottishgovernment

Closing date for applications: Friday 12 February 2010.

Scottish Enterprise, Highlands & Islands Enterprise and the Scottish Government aim to encourage the rich diversity of our workplace through policies and practices which promote creativity, talent and results regardless of ethnic origin, colour, age, disability, gender, marital status, religious or philosophical belief or sexual orientation.

Scotland's Enterprise, Innovation and Investment Agency
REVISED JOB ADVERT (CLOSING DATE AUGUST 2010)

An opportunity to help Scotland’s growth.

Chief Executive
Glasgow
Scottish Development International – Executive Package

Scottish Development International (SDI) is an award-winning joint venture involving Scottish Government, Scottish Enterprise and Highlands and Islands Enterprise, with over 230 staff across 22 offices worldwide. Its remit is to attract high value foreign direct investment to Scotland, while enhancing the internationalisation of Scotland’s businesses.

We seek an outstanding individual to be Chief Executive. This individual, accountable to SDI Management Board (comprising the 3 partners in the joint venture), will play a key role in delivering elements of the Scottish Government’s economic strategy in relation to foreign direct investment and international trade. The Chief Executive will also have an important role in representing Scotland overseas at high level and in this way contributing to the Scottish Government’s International Framework.

You must demonstrate credibility in managing and developing key senior multi level political and commercial relationships and be able to “sell Scotland” across all sectors and audiences. You will be a senior economic development or business professional with strong commercial acumen and an impressive international track record.

To apply for this exciting, demanding and unique role in Scotland, please send your full CV, covering letter and details of your current remuneration package to Karen Scott, Managing Director or Amanda Singleton, Principal Consultant at Hudson Executive sdil@hudson.com or telephone for a confidential discussion with our Search partner on 0845 481 0576. Details of this opportunity can be found at www.uk.hudson.com/scottishgovernment/appointments.asp

Closing date for applications is 15 August 2010.

Scottish Enterprise, Highlands and Island Enterprise and the Scottish Government aim to encourage the rich diversity of our workplace through policies and practices which promote creativity, talent and results regardless of ethnic origin, colour, age, disability, gender, marital status, religious or philosophical belief or sexual orientation.

An Equal Opportunities Employer

Scotland’s Enterprise,
Innovation and Investment Agency
EXTRACTS FROM THE JOB PROFILE (DATED JANUARY 2010)

1. BACKGROUND INFORMATION

Scottish Development International’s (SDI) aim is to broaden Scotland’s international appeal as a first choice source of knowledge and to assist the growth of the Scottish economy, by encouraging inward investment and helping Scottish-based companies develop international trade.

SDI is a joint venture of the Scottish Government, Scottish Enterprise and Highlands and Islands Enterprise (HIE) and will form partnerships with a range of organisations to help build a strong, diverse and healthy economy.

It is a point of contact with the Scottish Government for senior figures from those countries where its offices are located, and working as part of an integrated structure with embassy-based Scottish Government colleagues in the UK and China. It is fully integrated into the economic development delivery of Scottish Enterprise and HIE and aligned with the Scottish Government’s wider international activity and promotion of Scotland as a place to live, work, visit and study.

The Board of SDI comprises of representatives of the three joint venture organisations: the Scottish Government, Scottish Enterprise and HIE. This Board is complemented by the International Advisory Board (IAB) which was created in August 2002. IAB comprises of senior business figures who are Scots or people with a strong affinity to Scotland. Members are invited to join in recognition of their experience, positions of international prominence and influence in their respective industries and their willingness to contribute to Scotland’s wealth creation agenda.

Chaired by Crawford Gilles, the IAB complements the role of the Scottish Enterprise Board by contributing international business advice and market development perspective to Scotland’s economic development drive.

The IAB significantly builds on the idea of accessing world-class counsel and knowledge for the benefit of Scotland. The IAB has met bi-annually since inception. At these meetings members provide advice on strategy, guidance on key landmark projects and support to Scottish companies with significant international potential.

Further information on SDI can be found at http://www.sdi.co.uk/
2. THE ROLE

Job Title: Chief Executive
Location: Glasgow
Reporting to: SDI Management Board
Job Purpose: International trade and foreign direct investment

Summary of Main Activities:

- Key member of Scottish Enterprise’s senior leadership team and the Scottish Government’s senior management team.
- Working closely with partners, stakeholders and Scottish Government Ministers, you will lead an organisation whose purpose is to support the internationalisation of Scottish Companies, to engage with and attract overseas companies to trade with Scotland and Scottish companies.
- Securing foreign direct investment is essential to maximise new investment in key sectors. Your knowledge of Scotland’s skills base, science and research excellence and infrastructure will be a key element to ensure the “right kind” of investment is secured.
- You will be expected to develop, implement and communicate a vision of the role SDI can best play and where to channel its resources in a challenging economic environment.
- Effectively integrate and manage the multi-level, multi partnerships with which SDI engages including public bodies and business support agencies.
- Key internal leadership role as well as externally representing the organisation at the most senior levels.
- Advise Scottish Government Ministers regularly on how SDI’s resources can be best deployed to support the Scottish Government’s purpose and its international objectives.

Responsibilities

- Support and advise the SDI Management board in developing and confirming international business development strategy.
- Work cooperatively across the joint venture organisations to support Ministers in developing Scotland’s international standing and reputation.
- Undertake initiatives that will enhance both Scotland and its companies’ attractiveness.
- Effectively lead SDI team to deliver its strategy and targets.

Relationship Management Requirements

- Internal partners within SDI and the Scottish Government.
- Ministers and MSPs.
- UKTI.
- The wider business representation community – including CBI, Chambers of Commerce, IOD, Councils, local authorities and their representative bodies.
- Senior customer relationships (both existing and targeted) based upon the segmentation strategy.
- The Scottish academic community.
- Visit Scotland and other Scottish public sector agencies with an international remit.
3. CANDIDATE PROFILE

Experience and Background - Requirements

Specialist Knowledge

- Economic development or business experience, particularly at international level is essential.
- Commercial experience and acumen is vital.
- An awareness of how FDI contributes to the Government Economic Strategy and the knowledge and credibility to be able to contribute to that discussion.
- Understanding of globalisation and how global investment flows work.
- Understanding of the dynamics and process of FDI in the current market place.
- Ability to lead a sophisticated sales organisation.
- Proven in solution selling/consultative selling/conceptual selling.
- A background in any one of Scotland’s key sectors is desirable.
- Degree in economics, business or finance.

Personal Qualities

- Ability to "sell" Scotland is a key attribute.
- Commercial experience and acumen is vital.
- Personal resilience in a challenging role.
- Proven effective relationship management of multi partner/stakeholder organisations.
- Track record of contributing effectively to strategy development as a member of the senior management team.
- Credible in boardrooms across the world.
- Lead a field staff of professional services individuals / teams.
- Highly developed management and leadership skills with the ability to create and communicate a vision, as well as to translate this into tangible strategy.
- Innovative and creative approach; entrepreneurial skills with the ability to develop commercially focused plans and deliver against challenging business targets.
- Outstanding interpersonal, communication and influencing/negotiating skills; high level of professional credibility and gravitas.
- Diplomatic skills and political awareness.
- High level of cultural sensitivity in conducting business overseas.
1. BACKGROUND INFORMATION

Scottish Development International (SDI) is an award winning joint venture involving the Scottish Government, Scottish Enterprise (SE) and Highlands and Islands Enterprise (HIE). With over 250 staff and 22 offices worldwide, it aims to attract high value foreign direct investment (FDI) to Scotland and help Scotland’s businesses to internationalise. It is a point of contact with the Scottish Government for senior figures from those countries where the offices are located, working as part of an integrated structure with embassy-based Scottish Government colleagues in the US and China. It is fully integrated into the economic development delivery of Scottish Enterprise and HIE and aligned with the Scottish Government’s wider international activity and promotion of Scotland as a place to live, work, visit and study.

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Chaired by Crawford Gillies, the IAB complements the role of the Scottish Enterprise Board by contributing international business advice and market development perspective to Scotland’s economic development drive.

The IAB significantly builds on the idea of accessing world-class counsel and knowledge for the benefit of Scotland. The IAB has met bi-annually since inception. At these meetings members provide advice on strategy, guidance on key landmark projects and support to Scottish companies with significant international potential.

Further information on SDI can be found at www.sdi.co.uk.
2. THE ROLE

Job Title: Chief Executive
Location: Glasgow
Reporting to: SDI Management Board
Job Purpose: International trade and foreign direct investment

Role Overview
Accountable to the Management Board of SDI comprising representatives from the Scottish Government, Scottish Enterprise and Highlands & Islands Enterprise, you will be a key member of both SE’s senior leadership team and the Scottish Government’s senior management team. SDI contributes to Scottish Enterprise’s and Highlands & Islands Enterprise’s business plans as part of the Scottish Government’s Economic Strategy.

You will be expected to advise Scottish Government Ministers regularly on how SDI’s resources can be best deployed to support the Scottish Government’s purpose and the objectives in its international framework. You will have a track record of dynamic and inspirational leadership which will allow you to act as an international ambassador for Scotland. To achieve this, you will bring to the role high level representational skills and be comfortable acting in an international environment at the highest level.

In doing the above, the Chief Executive, working in partnership with other public and private sector organisations, will play a leading role in the wider promotion and branding of Scotland overseas. You will have strong communication and presentational skills which will allow you to engage with a range of audiences around the world in the promotion of Scotland.

Working closely with partners, stakeholders and Scottish Government Ministers you will lead an organisation whose purpose is to support the internationalisation of Scottish companies, to engage with and attract overseas companies to trade with Scotland. Scouring foreign direct investment is essential to maximise new investment in key sectors and a key element in delivering the Scottish Government’s purpose of sustainable economic growth. To this end, you will be expected to develop, implement and communicate a vision of the role SDI can best play and where to channel its resources in challenging economic times.

You will focus on winning the right kind of investment – investment which is secured because of Scotland’s skills base, our science and research excellence and our infrastructure. Integration with Scottish Enterprise sector and business support mechanisms is therefore essential. Internationalisation will continue to focus on those markets which offer the greatest potential for Scottish companies. SDI will need to continue to ensure that companies recognise where the best opportunities are for their business and help build their capacity to do more business internationally, using the Scottish Government’s International Framework as a base, but also looking to emerging economies such as India.

In addition to leading the SDI organisation, you will also have a key role internally as a leader and externally representing the organisation at the most senior level with both potential and existing external clients and organisations, including negotiating deals.
Main Responsibilities

- To take a leading role in representing SDI interests in an international context.
- To continue to develop the strategy to realise value from Scotland’s competitive assets and ensure it is aligned with the Scottish Government’s economic strategy, its key sector approach and Scotland’s company base.
- To support and advise the SDI Management Board in developing and confirming that strategy, and the direction of travel of the organisation.
- To work co-operatively across the 3 joint venture organisations to support Ministers in developing Scotland’s international standing and economic reputation, and to undertake initiatives that will enhance both Scotland’s and its companies’ attractiveness.
- To maximise the interface with other parts of Scottish Enterprise, particularly Operations and Industries directorates.
- To ensure that SDI is adequately managed and resourced, with trained talent to deliver the strategy and business targets.
- To lead effectively the SDI team to deliver its strategy and targets.
- To fulfil responsibilities as a corporate leader.
- To ensure there are relevant and agreed targets for SDI – meaningful measures linked to increased GVA for the Scottish economy.

Relationship management requirements

- Internal partners within SDI and the Scottish Government.
- Ministers and MSPs.
- UKTI.
- The wider business representation community – CBI, Chambers of Commerce, IOD.
- Councils, local authorities and their representative bodies.
- Senior customer relationships (both existing and targeted) based upon the segmentation strategy.
- The Scottish academic community.
- VisitScotland and other Scottish public sector agencies with an international remit.
3. CANDIDATE PROFILE

Experience and Background: Requirements

Specialist Knowledge
- Senior economic development or business professional with an impressive international track record
- Strong commercial experience and acumen is vital
- An awareness of how SDI contributes to the Government Economic Strategy and the knowledge and credibility to be able to contribute to that discussion
- Understanding of globalisation and how global investment flows work
- Understanding of the dynamics and process of FDI in the current market place
- A background in any one of Scotland's key sectors is desirable

Personal Qualities
- Dynamic inspirational leadership both as the leader of SDI and as an international ambassador for Scotland
- Ability to sell Scotland across all sectors and audiences
- Personal resilience in a challenging role
- Credibility in managing and developing key senior multi level political and commercial relationships
- Strong communication and presentational skills (adaptable to different stakeholders)
- Constructing deals and joint ventures
- Ability to contribute effectively to strategy development
- Innovative and creative approach; entrepreneurial skills
- Strong people management skills
- Influencing
- Political awareness
- Selling, marketing and negotiating
- Sense of cultural empathy – being alert to the differences of doing business in a variety of cultural environments