

DRAFT FINAL VERSION

Scottish Local Authorities Economic Development Group

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

Introduction

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

Comment on the scope and timing of the Review

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

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

The Significant Contribution of Local Government to Scotland's economy

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

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

The role of the Public Sector in economic development

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

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

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

Rationalisation of national agencies and interventions

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

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

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

27. Research, Evaluation and Economic Intelligence

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

28. Key Principles

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

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

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

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

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

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

29. Conclusion

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

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

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

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

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

Further information

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

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

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