



Review of Local Authority Economic Development Activity

Summary Report for Scottish Local Authorities
Economic Development Group

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1. Introduction

1.1 Background

Scotland's Local Authorities have always had a role in economic development but since 2008, they have had the clear lead role in driving forward local economic development and regeneration.

However, this is happening in difficult and challenging times. At a national level, economic forecasts are for negative growth (in the short term) with the consequence of rising unemployment and failing businesses focusing the need for employment creation and safeguarding as the key economic development priority.

The impact of the changes in the global economic environment, particularly in relation to financial and energy markets has yet to be fully understood. It seems likely however, that the short term changes will bring major challenges for local economies particularly around areas such as housing markets; international tourism; inward investment; availability of private sector funding for new development projects; overall property values; availability of finance; and levels of new business starts.



A fast changing environment

These economic changes are taking place at the same time as the restructuring of Economic Development in Scotland, with a new and developing landscape and a changing division of responsibilities between Scottish Enterprise and the Local Authorities. There is also the advent of new agencies such as Skills Development Scotland and other changes such as Communities Scotland being brought within Scottish Government.

The policy environment is also changing with a whole suite of new policies and initiatives including the Government Economic Strategy, Rural Scotland Development Plan, proposed Scottish Futures Trust and National Planning Framework. These have created a changing and evolving policy landscape against which Local Authorities must deliver.

The development of the Concordat between the Scottish Government and the Local Authorities has placed greater emphasis on empowering local communities through the developing Community Planning process which in turn means more voices crying out to be heard at the local level, with the consequent raising of expectations.

There is also the economic development dimension to community planning and the related changes to the funding of local government and the associated targeting mechanisms through the development of the Single Outcome Agreements.

A new European Structural Fund Programme is now in place with greater emphasis on innovation and enterprise, with a shift in direction away from funding physical and infrastructure projects, although the developing JESSICA programme may provide new opportunities.

The overall environment within which Scotland's Local Authorities will deliver local economic development and regeneration therefore looks significantly challenging, particularly in the short term. This is due to:

- Greater calls on the public purse to support a growing range of priorities and stakeholder aspirations;
- Less private sector funding to partner economic development and regeneration activity;
- A new and developing delivery regime with many uncertainties and lack of detailed clarity around roles and responsibilities;
- A new and onerous funding and outcome regime against which the LAs are expected to deliver; and
- A major downturn in business and financial markets making it difficult to deliver economic growth.

Key challenges for local authorities

However, it is crucial to recognise that economic development is a long term game and that important as the short term challenges are, perhaps a bigger challenge is the readiness of local areas to respond to the economic upturn.

We have therefore tried to reflect this forward looking tone within this report.

The overall purpose of this research study is to develop an understanding of the scale, scope and nature of local economic development in Scotland and to identify the key future challenges which the Local Authorities are likely to have to address.

1.2 Some Initial Context

In presenting our findings it is important to set local economic development in the wider context in order that we may better understand the research.

Economic development is not a statutory function of Local Authorities¹ – although all 32 authorities have an economic development function and delivery economic development services.

Although our research has tried to place local economic development in a national context, it is important to recognise that it is also part of the democratic process and therefore must (and does) also reflect the local priorities of each individual area.

¹ We return to this point later in the report

The requirement on Local Authorities is therefore largely to deliver to their local agendas, albeit there is the requirement to deliver national targets through the SOA framework.

What is economic development?

In developing the research brief there was considerable debate over what constitutes economic development.

In its widest sense, many of the services delivered by Local Authorities could be said to have economic development consequences or contribute to the economic development agenda.

- For example, the direct impact which schools have on the skills agenda which in turn is one of the key drivers of economic growth.
- In a similar vein, improving the transport and connectivity infrastructure of a local area will have a direct impact on that area's competitiveness.
- There are also a range of decisions which individual Councils have made such as delivering new schools building programmes or new infrastructure initiatives where the driver is the desire to generate new employment and business opportunities as a direct response to the current downturn

This wide definition of economic development would have rendered the research significantly more complex and difficult and it would have been almost impossible to allocate inputs and activities on an appropriate basis.

We have therefore accepted the more traditional definition of economic development (see next section) but recognising that the Local Authorities impact on their local economy goes way beyond our proposed definition.

We have also excluded the role Local Authorities themselves play in the local supply chains through their purchases of goods and services. This in itself is a major contribution to local economic wealth.

Finally, it is important to recognise that there are also limits to what individual Councils can deliver within their current governance arrangements as well as with current resources.

1.3 Research Details

The overall aim of the research was to undertake a review and audit of economic development and regeneration activity across Scotland's Local Authorities to determine the scale, nature, reach and activities currently delivered under the umbrella of economic development and regeneration.

In defining economic development and regeneration we have adopted a simplistic definition as: "those activities delivered and/or funded through Economic Development or Regeneration (or similar) Departments and where the prime purpose and outcomes were economic development.

Economic development was seen as likely to include some or all of the following:

- economic strategy and policy
- economic research and information
- support for business start up and growth
- export support programmes
- enterprise-related programmes
- business property and infrastructure
- place regeneration
- targeted employment programmes
- skills and training related to employment or employability
- sector based initiatives (tourism, science/tech, food etc)
- worklessness/ employability programmes
- area marketing and promotion
- European funding and related
- environmental improvements
- employment related transport projects
- city and town centre development
- inward investment activities

We used the designation "economic development" to cover all of the above activities, including any regeneration elements of service delivery and project activity. While there may be other areas where LAs intervene in economic development the above captures the vast majority of activities.

In addition to the survey and analysis, consultations were also undertaken with a range of partner organisations including: Scottish Enterprise: Improvement Service; COSLA; and a small selection of individual authorities.

2. Local Economic Development in Scotland

2.1 Introduction

This section reviews the information provided by Scotland’s Local Authorities regarding delivery of economic development services. In total 31 of Scotland’s 32 Councils responded to the survey. It is important to note that the analysis is based on the data provided by individual respondents. In many cases there are significant differences between LAs. This may be explained by further investigation to fully understanding the basis against which individual responses were provided.

The review does, however, address the key research questions as set out in the research brief.

2.2 Overview

The individual department that takes primary responsibility for delivery of economic development services vary across each Council, with two stating that the department responsible was due for restructuring in the near future. Table 2.1 over provides a breakdown of these departments.

Table 2.1: Department Responsible for Economic Development Services

Council Department	Number
Economic Development	5
Development Services/Dept	4
Environment	3
City Development	2
Regeneration Services	2
Chief Executives	1
Chief Executive's/Development & Environmental Services	1
Community Planning and Regeneration Service	1
Corporate Support (Planning and Economic Development Division)	1
Development and Regeneration Services	1
Economic and Environmental Sustainability	1
Economic and Social Regeneration	1
Enterprise and Planning	1
Housing, Environmental and Economic Development Department	1
Planning and Economic Development Department	1
Planning and Transport	1
Planning and Environment Services	1
Strategic Services Division	1
Transportation and Infrastructure	1

It can be seen that there is no common or universal “designation” for economic development with **19** separate designations, including many where economic development is delivered through a wider service department.

Table 2.2 provides details on the number of and level of staff involved in the delivery of economic development services.

Table 2.2: Dedicated Staff Involved in the Delivery of Economic Development Services

Staff Level	Number
Director/Head of Service levels	31
Manager levels	62
Senior Officer levels	114
Team Leader levels	111
Officer/Technical levels	530
Administrative levels	151
Other (e.g. Contractors) levels	120
Total	1,119

A total of 1,119 staff are involved in economic development service delivery across the 31 LAs. Almost half of these posts are held at officer/technical level.

Around 1,100 individuals are employed in economic development

The numbers of economic development staff reported in different authorities varies significantly – from under 10 to over 100. There is therefore no consistency in either size of authority area or level of economic activity, even between comparable areas.

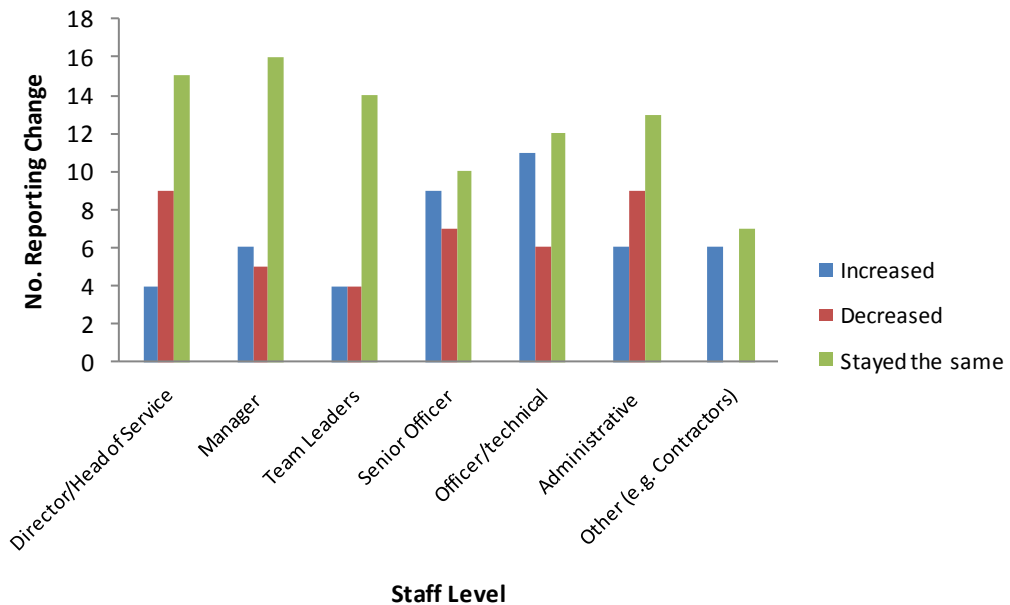
For example, one Authority reports nearly four times as many staff than a comparable neighbouring one.

It is however, not entirely clear if this anomaly in any way indicates the relative importance given to economic development, or if it reflects internal LA differences in the way that jobs are counted. In order to understand this, further work and analysis would be required.

Figure 2.1, over, provides information on the trends in staff levels at each responding LA over the last three years.

Overall, there appears to have been a slight increase, particularly at senior or technical officer levels, and an increase in the use of other staff (including contractors). More councils report a decrease in Director and administrative posts than report an increase in staff numbers at these levels.

Figure 2.1: Change in Staff Levels



Total revenue spend² on economic development in Scotland is estimated at £135 million. There is a significant variation in spend levels, from around £500K to £30 million, with an average spend per Council of £4 million.

The average % ratio of salary to total revenue expenditure is 40%, although there are some variations in individual Authorities.

Average annual capital expenditure over the last 3 years has been estimated at around £65 million. Again there are significant variations from under £100k to over £10 million but with an average spend of £2 million per authority.

Interestingly, when spend is adjusted for the size of the Authority the results are even more diverse with spend per 1,000 population varying from around £3K to £380K.

Finally, it is worth recognising that the economic development function also generates income, an average of £85 million from sources such as commercial property, European Funding, Training contracts.

Local Authorities annually invest £200m in local economic development activities

² averaged over last three years

To put this into perspective, Scottish Enterprise and Highlands and Islands Enterprise have between them a staff compliment of around 1,400 and a budget of £400 million. A 40% higher staffing ratio but with a 100% greater budget spend.

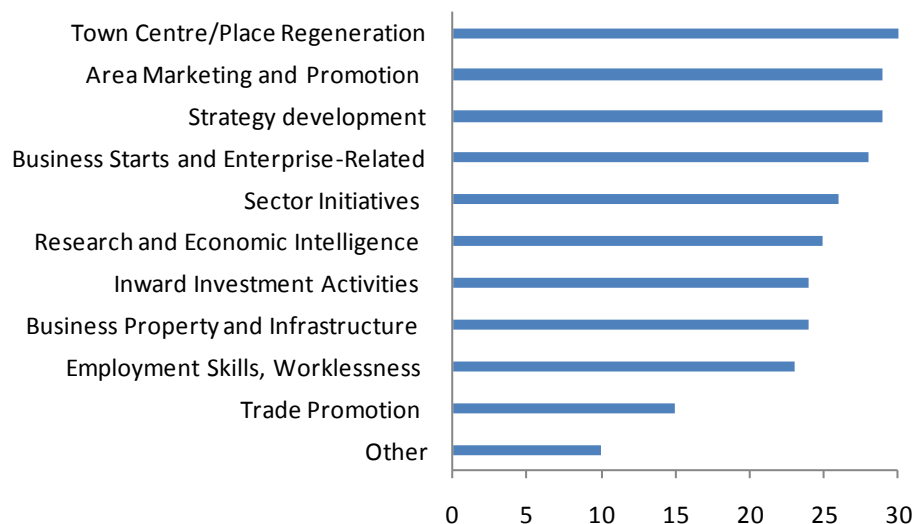
Table 2.3 reports how this LA expenditure has changed over the past three years. It shows that nearly three fifths (58%) have recorded an increase and for 16% this increase has been substantial. Nearly one third (29%) noted a decrease with 10% noting a substantial decrease.

Table 2.3: How has this changed over the Last Three Years?

Change	Number	%
Increased substantially	5	16
Increased slightly	13	42
No change	4	13
Decreased slightly	6	19
Decreased substantially	3	10

Figure 2.2 lists the type of specific activities delivered as part of each Council's economic development undertaking.

Figure 2.2: Type of Activities Delivered through Economic Development



The most popular activities relate to town centre/place regeneration (30); area marketing/promotion (29) and strategy development (29). The least common activity amongst councils is trade promotion (15).

**Highest proportion
of spend is on
business and
enterprise support**

An interesting issue is to consider not just what the LAs do deliver, but what some do not deliver. For example, nearly 30% do not deliver any employability support and 20% do not deliver economic intelligence.

Our analysis shows that, in general, the highest proportions of spend are concentrated in 'Business Starts and Enterprise-related' and 'Employment skills, worklessness' activities although this is not the case across all the Councils.

There are however significant variations between Councils which reflects local priorities.

Review of the responses provided by Councils highlights four main activities as areas of significant change over the last three years. These are:

- Business Gateway transfer
- Regeneration
- Employability
- Tourism

The transfer of Business Gateway responsibilities from the enterprise network has led to a greater emphasis on business support and employability activities. A more integrated approach has been noted through the Community Planning Partnership allowing consolidation of a number of initiatives to provide a more structured and focused product and a move away from grant funded initiatives to more strategic objectives.

Regeneration, and in particular town centre regeneration, has been responsible for an increase in capital expenditure. Where established, Urban Regeneration Companies have provided a focus for more integration through regeneration activities.

An increase in employability initiatives has been noted by authorities with a number of new initiatives being introduced. Investments and developments in tourism have become increasingly important for a number of Local Authorities.

Figure 2.3, over, shows that in the vast majority of Councils Economic Development is given a high priority and in 13 (45%) it receives a very high priority.

Figure 2.3: Level of Priority Economic Development has within the Local Authority

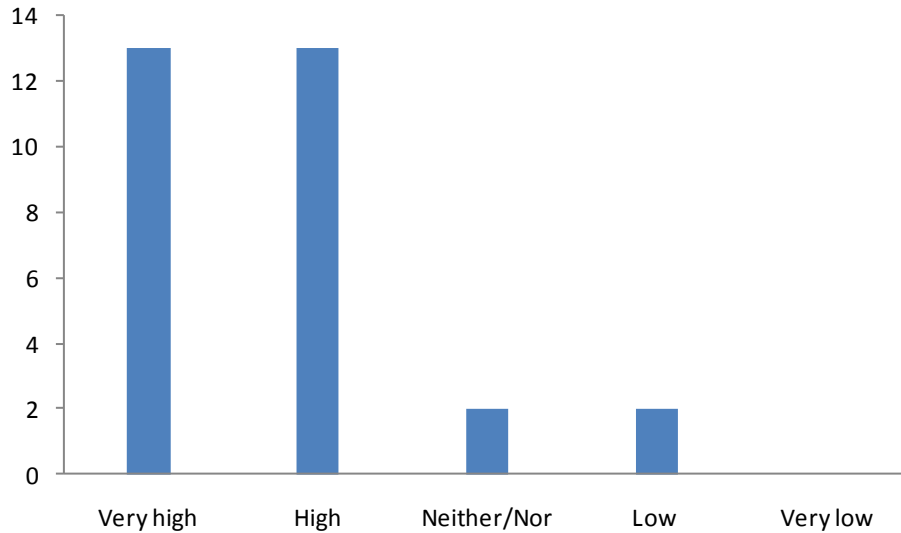
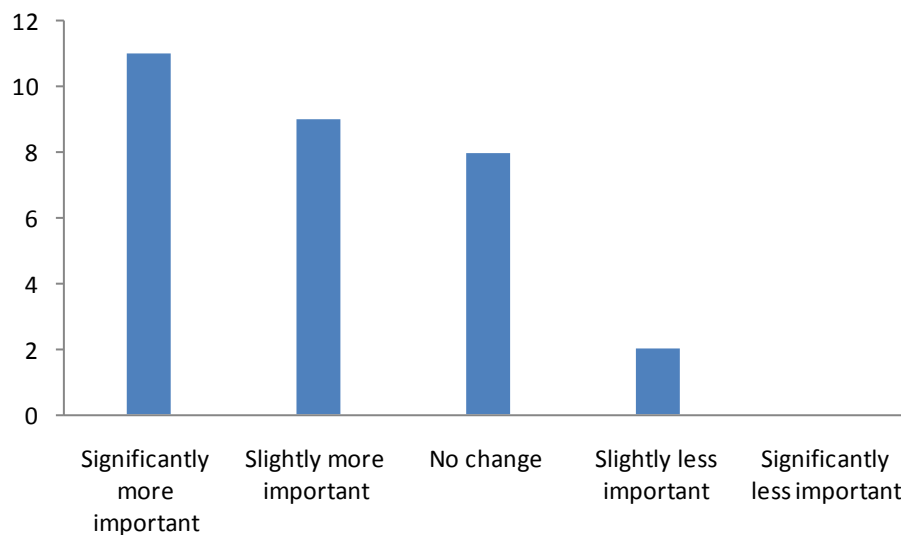


Figure 2.4 goes on to show that economic development has become more important for over two thirds of LAs in the last three years.

Figure 2.4: How has this changed over the Last Three Years

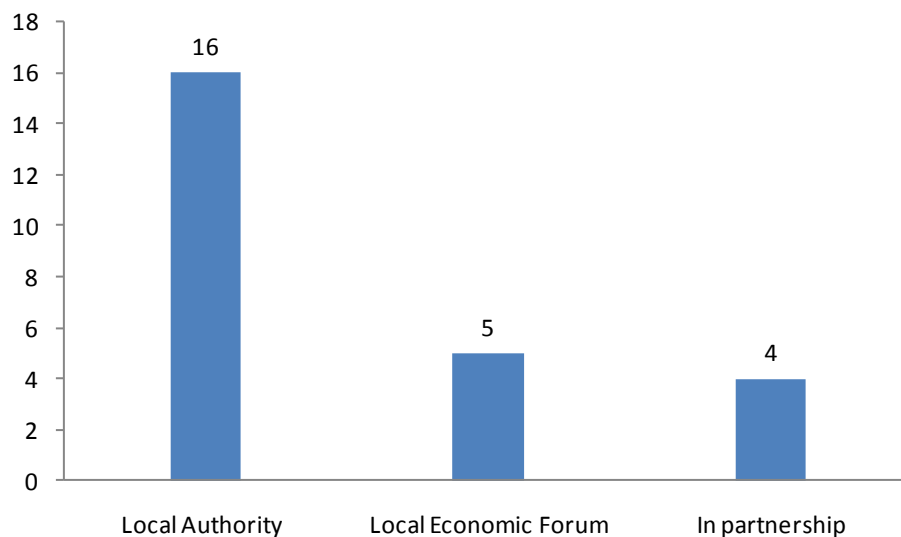


2.3 Strategy and Policy

This section provides information on strategic guidance within each Council area. Of the 31 Councils that responded, 25 have formal Economic Development policy and strategy. The majority of these have been developed in the last four years while others are in the process of updating past strategies.

As can be seen from Figure 2.5 two-third of these LAs consider that they have a clear lead role in developing appropriate strategy with 4 reporting strategy development in partnership with other organisation(s). One fifth of LAs that have formal strategy/policy have placed the local economic forum in the lead role.

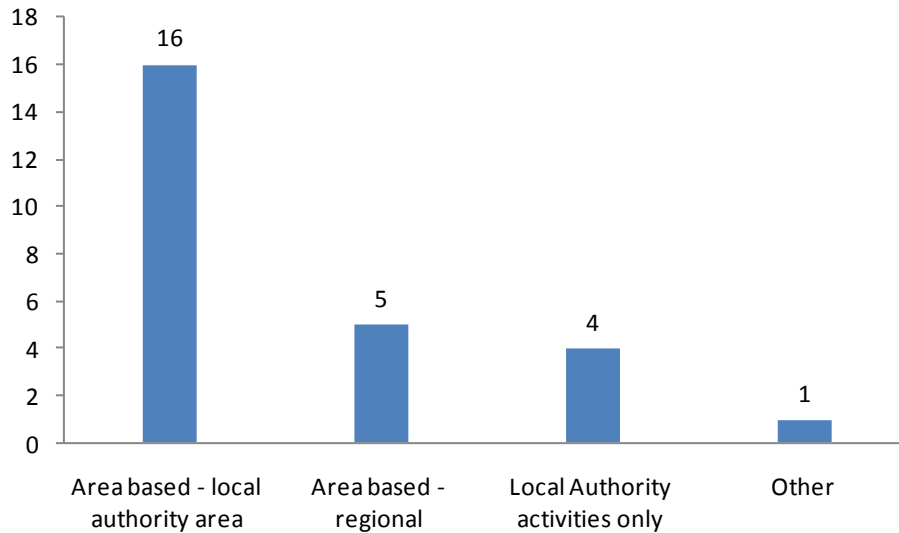
Figure 2.5: Who has the Lead Role in Developing this Strategy



Nearly two thirds of Councils have developed their strategy to cover their full geographic area, and involve all relevant partners, as reported in Figure 2.6, over.

The data shows that 20% of LAs have developed their strategy on a wider regional basis but 16% have based it around their own activities only. The majority (16 or 64%) of economic development strategies cover all economic development activities within the local area.

Figure 2.6: Strategy Coverage



Respondents were asked to identify the top five priorities and objectives of their economic development strategy. Perhaps unsurprisingly, the commonest responses cover the standard high level themes of:

- business and enterprise development
- skills and learning
- employment creation and employability
- physical infrastructure
- key sectors



2.4 Key Activities and Delivery

This section looks at the ways in which economic development services and activities are delivered by LAs.

Table 2.4, over, provides information on which organisation has responsibility for delivering specific economic development activities and services.

The services and activities most likely to be delivered directly by LAs are ‘Strategy Development’ and ‘Business and Property infrastructure’; the least likely are ‘Trade Promotion’ and ‘Employment Skills/Worklessness’ both of which are most likely to be done in partnership with other agencies.

‘Business Starts/Enterprise Related Support’ is the service area most likely to be sub contracted to an external provider, reflecting the transfer of Business Gateway to the LAs in 2008.

Table 2.4: Service Delivery

Service Area	% Reporting			Base No.
	Directly by Authority	Partnership with other Agencies	Sub Contracted to External	
Strategy Development	72	25	3	22
Research Economic Intelligence	63	30	7	22
Bus Starts/Enterprise Related	37	21	42	22
Business Property Infrastructure	70	28	2	22
Town Centre/Place Regeneration	64	32	4	23
Employment Skills/Worklessness	34	57	9	20
Sector Initiatives	51	44	6	20
Marketing and Promotion	53	39	8	23
Inward Investment	40	58	1	19
Trade Promotion	28	61	11	14
Other Activities	60	28	12	6

In terms of partnerships, the Enterprise Network is the most frequent partner for LA to engage with in economic development activity, as reported in Table 2.5, VisitScotland is next most likely followed by the private sector.

Table 2.5: Level of Partnership Ranking

	1 (Most engagement)	2	3	4	5	6	7 (Least engagement)
Enterprise Network	16	6	7	0	1	1	0
VisitScotland	2	12	5	7	2	1	0
Ch of Commerce	3	6	4	5	3	0	0
FE Sector	2	5	2	8	4	4	3
HE sector	0	3	4	4	4	0	7
Private Sector	7	5	11	3	4	0	0
Voluntary Sector	1	2	3	4	8	7	2

Note: 1 represents partner most engaged with, 7 the partner least engaged with. Not all respondents ranked each partner therefore totals across rows do not sum.

The lowest level of engagement for LAs is with the FE/HE and voluntary sectors.

The private sector is regarded as the best quality partnership followed by the voluntary sector and the HE sector. Although the Enterprise Network has the greatest level of engagement, the quality rating varies widely.

There is also a small but nevertheless significant number of Authorities who do not rate the quality of partnership with the Enterprise Network.

2.5 Performance Measurement

This section provides information on how economic performance is measured in economic development.

All authorities undertake some form of regular performance measurement as shown in Table 2.6.

Table 2.6: Levels of Performance Measurement

Measurement	No.
Yes, undertake regular monitoring using a defined measurement framework	24
We report only against the measures identified in the Single Outcome Agreement	6
We do not undertake any regular performance measurement work	0

Over three quarters of the LAs responding undertake monitoring according to a defined measurement framework with the remainder reporting against specific measures in the Single Outcome Agreement.

Figure 2.7 highlights the level of baseline analysis undertaken by LAs and shows that only 12 (43%) undertake this form of measurement on a regular basis.

The data show that less than half of all LAs undertake continuous performance measurement of their local economies to provide information from which to make resource decisions.

Whilst 93% of respondents reported operating a formal performance framework that provides management information, a small proportion (7%), do not.

Figure 2.7: Levels of Baseline

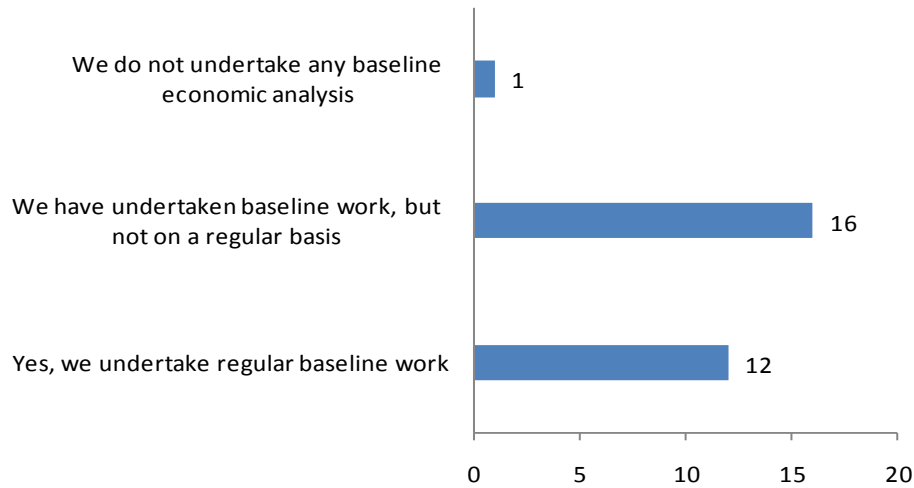
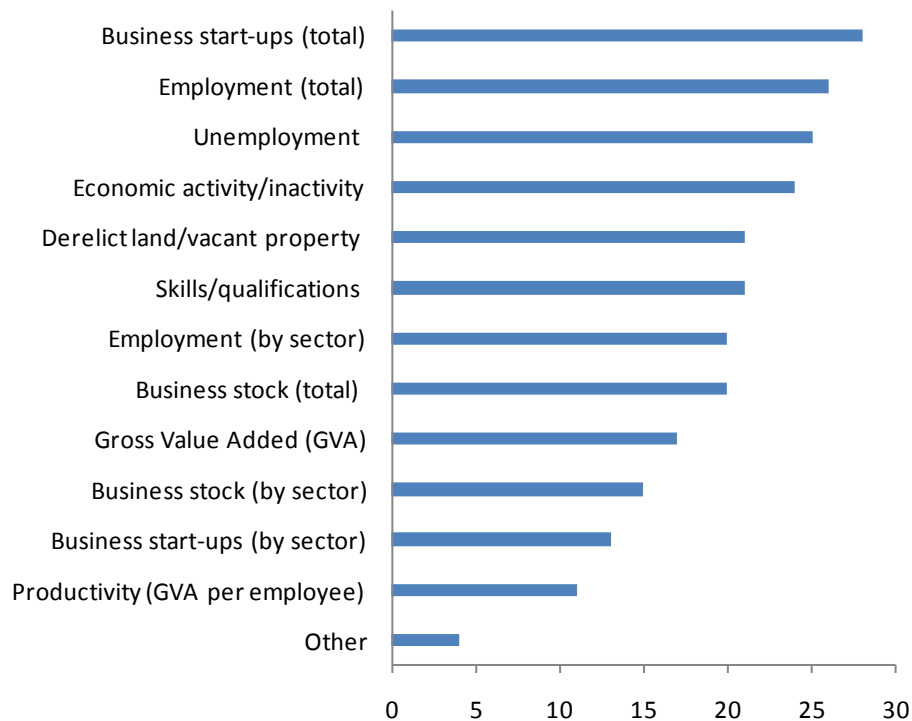


Figure 2.8, over, shows the economic performance indicators used in management and reporting.

Figure 2.8: Economic Performance Indicators (No reporting)



The data shows that the most common forms of measures are: business start ups, employment, economic inactivity and vacant/empty property.

These reflect current practices and do allow a time-series analysis to measure how activity changes over time.

Interestingly, there is limited use of those performance indicators which are now considered as more reflective of economic progress such as:

- graduate skills
- TEA (Total Entrepreneurial Activity)
- innovation/R&D
- FDI investment
- knowledge businesses
- private business investment, etc.

**Higher level
performance
indicators**

This therefore highlights a key message for the future:

- the measures being used are unlikely to fully reflect the key economic challenges facing Scotland in the future; and
- crucially, there is also no standard approach to reporting economic development activity and as such it is not possible to understand the combined effect of LA interventions at a national level.

Figure 2.9: Suitability of SOA Indicators

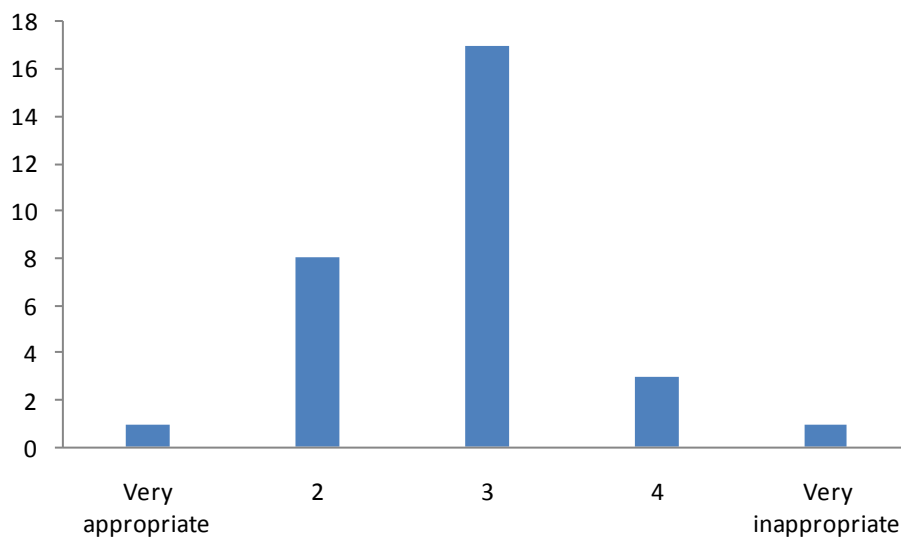


Figure 2.9 shows that only a very small proportion of LAs believe that the SOA indicators are an appropriate reflection of the health of the local economy.

This suggests that there could perhaps be some development of additional/more appropriate indicators in the future.

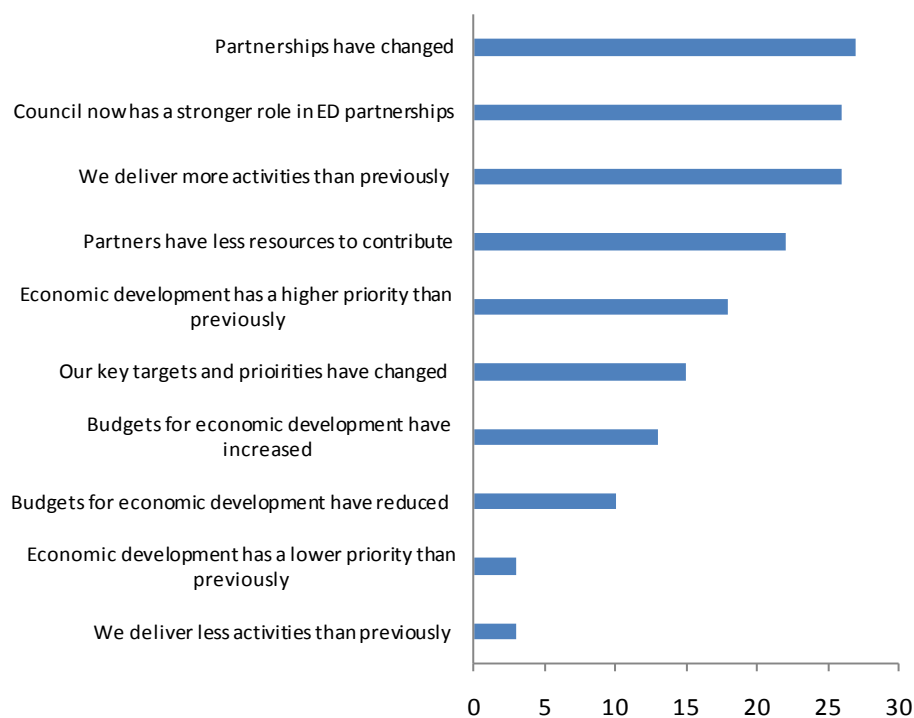
Crucially only 3% of LAs (representing 1 respondent) do not see any benefit in establishing a new 'National Performance Management Framework' for economic development as a tool to improve their understanding of the local economy. 68% (20) believe there is a strong case but 29% (9) are unsure.

2.6 Recent Changes

This section of the report considers how the delivery of local economic development has changed over the last few years.

Figure 2.10 considers the changes that have occurred.

Figure 2.10: Changes to Local Economic Development



The responses show that there are three clear trends:

- there have been major changes to partnerships which present their own challenges;
- LAs now have a greater role and scope for local delivery; and
- economic development is now more important to Councils.

Table 2.7 highlights the potential impact of the recent changes on the Local Authorities.

Table 2.7: Potential Impact of Recent Changes (No. Reporting)

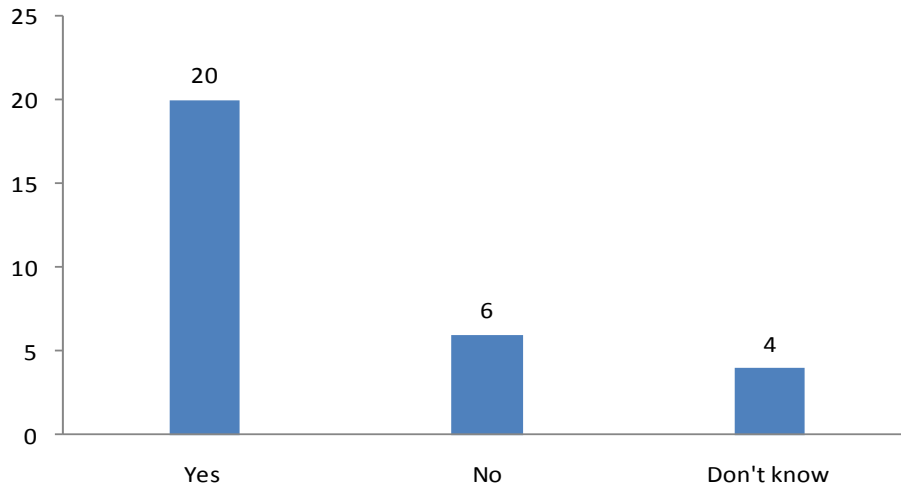
Impact	Very Negative	Negative	No Change	Positive	Very Positive
Transfer of responsibility for Business Gateway	0	4	5	13	9
Increased role in local economic regeneration	2	1	4	17	5
New Concordat between national/local government	0	1	12	18	0
Single Outcome Agreements	0	1	13	16	1
Removal of ring-fencing in local authority budgets	1	6	12	10	2
Ongoing development of Community Planning	3	3	13	12	0
Changing strategy and policy context	0	2	17	12	0
Challenging economic circumstances	3	7	6	7	6

The analysis shows that by and large, the LAs are very positive about the changes, viewing most as having a helpful impact on the local economy and their delivery of services. In particular, the advent of the SOA and the concordat with Scottish Government is seen in a positive light.

The main negative issues relate to current economic circumstances and interestingly the development of community planning and its role in economic development.

Figure 2.11 highlights the number of Authorities that believe there is a need to change their current strategy for economic development to reflect changing circumstances.

Figure 2.11: Need for Changes to Economic Development Strategy



Twenty LAs (around 70%) believe that there is a need to develop their strategic policy in light of changing environment. Given previous comments, this may be an appropriate time for Government to consider in more detail the future of local economic development.

Table 2.8 highlights the key future challenges for LAs in delivering local economic development. The table shows that by far the biggest challenge is seen as delivering economic development with reduced resources – both financial, staff and partners support.

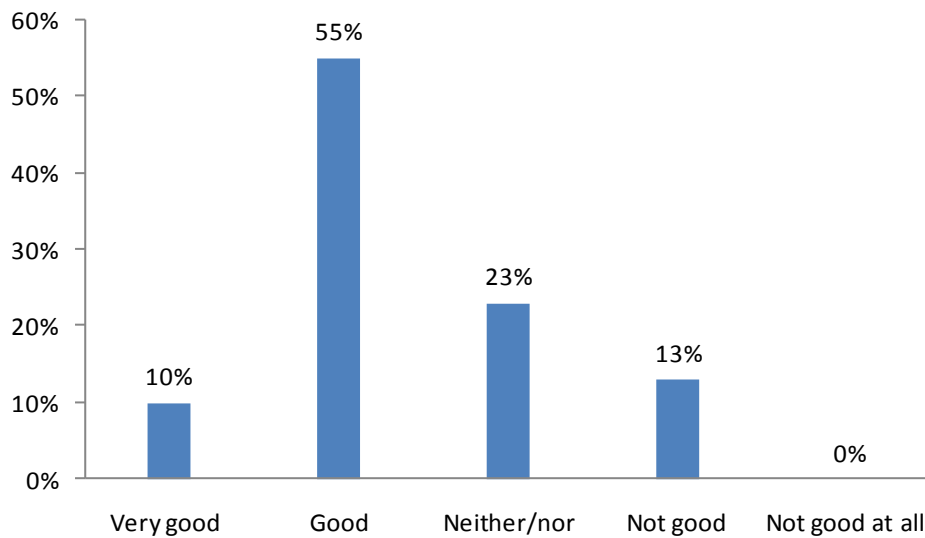
Table 2.8: Key Future Challenges

Top Three Challenges	Challenge 1	Challenge 2	Challenge 3
Lack of skills and expertise in economic development	1	0	1
Reduced financial resources for economic development	13	0	1
Reduced staff resources for economic development	3	3	1
Reduced resources from partners to support local economic development	4	11	3
Competing priorities within the authority	5	4	5
Competing priorities amongst partner organisations	0	6	5
Increased responsibilities for the authority in economic development	4	4	7
Limited capacity to respond to changing circumstances	1	3	8

The above unsurprisingly will put a major focus on reviewing priorities and delivery to ensure that the authorities are able to generate the greatest value for reducing investments.

However, LAs appear optimistic about their ability to deliver. In Figure 2.12 we see that 65% of respondents rate their ability to meet future challenges as good/very good.

Figure 2.12: Ability to Meet Future Challenges



Respondents were asked to consider the relative importance of a number of issues that could help them meet key challenges in the future. Table 2.9 reports the relative importance of each.

Table 2.9: Key Future Issues

	1 (Most Important)	2	3	4	5	6	7	8 (Least Important)
Increased funding	11	9	5	2	1	0	0	1
Clearer strategic guidance at national level for LAs	3	2	5	4	3	3	2	2
Increased priority for economic development	9	6	11	0	0	0	0	0
Economic development as a statutory service	6	6	3	3	2	2	1	3
Increased staff resources	4	4	2	3	3	3	4	1
Better/more partnership working	3	3	3	6	6	4	1	0
Improved understanding of local economic conditions	0	2	1	3	4	3	9	2

It is clear that the main issues for the future fall around two key issues:

**Main future issues
for LA economic
development -
RESOURCES**

- availability of funding and partnership resources; and
- increasing the priority for economic development within the Council.

However, it is undoubtedly the availability of funding in the future which is likely to be the key issue to be addressed by LAs; necessitating a need to consider how local economic development should be funded.

Finally, there was consensus that there is a need to move toward common performance indicators across Scotland, with the focus around:

- national standards but local discretion to reflect local priorities;
- development of a standard menu with agreed ways of collecting and reporting data;
- no additional costs in collecting data;
- more focus on value added data;
- the need to reflect SOA priorities in relation to Government Economic Strategy; and
- clearer signals on what is local and what is national/regional.

There is also the issue of attribution to LA intervention – even if business starts increase how much of this can be attributed to LA interventions? Some areas may experience significant levels of businesses activity that, while it shows a healthy economy, does not reflect what the LA has delivered –confusing outcomes with attribution.

A more challenging issue is to measure the actual direct attributable impact of the LA activity in order to understand true value for money.

3. Implications for Future Policy

3.1 Introduction

Since 2008, Scotland’s Local Authorities have had a clear lead role in local economic development and regeneration. This increased responsibility has come at a time when there have also been significant changes to the external policy environment and crucially, when macroeconomic conditions have deteriorated in line with the rest of the UK and beyond.

This research was designed to establish the scale, scope and nature of local economic development in Scotland and to determine how the LAs are responding to these new challenges and consider how well placed they are to respond to future challenges.

It was also designed to identify key future issues and challenges which the LAs must confront if they are to engender a healthy prosperous local economy.

This Chapter sets out the key conclusions from the detailed analysis presented in Chapter 2 and identifies a range of issues for future consideration.

3.2 Local Economic Development in Scotland

Despite being a non-statutory requirement, economic development services and activities are delivered by all of Scotland’s Local Authorities.

Local economic development is a very diverse and disparate service

However, one of the key conclusions of the research is that economic development is considerably different and diverse in scale, scope, activities and delivery, as well as in terms of where or how resources are invested. Every Local Authority is different – in some cases there are significant differences even between broadly similar authorities.

This reflects both the historic and democratic nature of the service which has developed to reflect the local agenda.

As an illustration of this, the analysis has highlighted that there are 19 different departmental “titles” within the 31 respondent LAs for where economic development is located within the authority. It is also interesting to note that in different authorities, economic development is joined with: Environment, Regeneration, Chief Executive, Community Planning, Planning and Transport.

The key highlights from the analysis are considered below.

Some Key Conclusions

- There are currently around 1,100 staff employed in Local Authorities delivering economic development services across Scotland;
- There is a significant range of staff resources by individual LA ranging from the under 10 to over 100;
- There are also significant differences in employment numbers between broadly similar authorities;
- Overall there has been a slight increase in staff numbers over the last few years, particularly within non managerial grades;
- 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 last few years;
- Salary costs are an average of 40% of total costs. We would however caution against interpreting too much from this as it is not clear that data has been reported consistently;
- There are currently a wide range of activities being delivered by economic development departments with the most common being town centre regeneration, area promotion, and business and enterprise services;
- Overall, business and enterprise services attract the greatest share of budgets;
- Not all Authorities deliver against all Government priorities, again reflecting the local nature of economic development priorities;
- Economic development departments report an earned income figure of around £85 million per annum from a range of sources, mainly Structural Funds and property income;
- Economic development is seen as a high and increasing priority for LAs, although later responses suggest that there may be issues about competing priorities in the future;
- All but 6 of the respondent LAs have formal economic strategies, the majority of which were developed by the Authority to reflect all local priorities (and not just those of the Council);
- Strategies have a wide range of priorities which reflect local circumstances, although they tend to focus around enterprise, infrastructure, skills and employment;
- There is, unsurprisingly, a high level of local partnership activity, particularly around services such as employability, inward investment and trade promotion. This reflects the lead role that other organisations such as Skills Development Scotland/Job Centre Plus or Scotland Development International have in these areas;
- While most LAs report strong partnerships with the Enterprise Networks, Visit Scotland and the private sector they are much weaker with FE/HE and the voluntary sector;

- All LAs reported undertaking some form of performance monitoring, although only 75% have a formal and regular system of reporting outwith the SOAs;
- However, 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;
- The majority of LAs either undertake no regular baseline analysis reporting on their local economy;
- The most common forms of performance measures are business starts, employment, economic inactivity and vacant property. Less than 40% of respondents reported any measurement of GVA, the Governments key measure of economic progress and success;
- There is also limited measurement of what are now considered to be key drivers of economic growth: graduate levels; R&D and innovation; green economic development ; knowledge intensive activity etc; and
- There also appear to be some concerns around how appropriate the current SOA indicators are in providing a clear understanding of economic performance or progress.

3.3 Key Issues and Priorities

While the above presents a snapshot of local economic development in Scotland, the survey also considered key issues and the priorities that will be important in the future:

- Partnerships have changed and the Councils have a much stronger (though perhaps not yet totally clear) role in local economic development;
- Economic development is now considered more important for Councils, although with the potential for less financial resource it is not clear if this will be maintained when tough choices have to be made (school closures or business support?);
- The transfer of Business Gateway to LAs is seen as very positive and one that will be a key future priority;
- There is also strong support for the SOA approach, although there is a clear recognition that this needs to be further developed to reflect local economic circumstances in full;
- Most LAs (70%) recognise the need to revise and review their economic strategy to reflect recent changes and future environment. Interestingly there is as yet no guidance on this and therefore a possibility of many different models being developed in the future;
- The biggest challenge is seen as delivering against increased expectations within constrained budgets, resources and partner inputs. This raises a number of issues around priorities and generating value for money;

- On a positive note, most LAs believe they are in a good or very good position to meet future challenges. More concerning, however, 13% report not being in a good position to respond to the future; and
- Overall, LAs are looking for clearer strategic guidance around performance measurement both at the national level as well as being able to reflect local circumstances and priorities.

3.4 The Future of Local Economic Development

The above analysis, taken together with various consultations, presentations and a workshop with SLAED members highlights a number of key issues for the future.

**The Key Issue:
Development of
Protocol for local
economic development
in the 21st Century**

Currently, economic development services and activities are largely a reflection of history and tradition where the focus is on responding to local priorities as determined by the local elected representatives.

However, current economic and other challenges continue to require change and adaption in the local operating environment to better reflect future needs, opportunities and challenges.

In this challenging environment it is only right and proper that Local Authorities review and challenge what they deliver through their local economic development interventions and seek to better position these to achieve the greatest impacts on their local economies.

The recognised factors of a successful economy such as higher level skills, innovation, connectivity, technology development, knowledge economy, climate change etc need to be more integrated into current activities and local practices.

At one level, these are often seen as “national issues” where national agencies have the responsibility – however, this is clearly not the case – these are absolutely local issues as well!

The research did not attempt to measure outputs or outcomes from economic development interventions as this was considered outside the scope of this overview report. However, in moving forward it will be important that the LAs are able to monitor and measure what actual effects their interventions have on their local economies – particularly at a time when Government is seeking to base allocations decision on maximising the value of their investments.

The key issue is therefore to consider if the time is right for a radical overhaul of local economic development in Scotland – a new local agenda?

Following on from the analysis, there are a number of development areas where LAs should seek to make progress in driving forward local economic development.

We have however, identified four issues in particular which are considered as crucial in moving forward on the economic development agenda and which could be addressed through the SLAED framework.

These issues are summarised below.

Strategic Guidance

The majority of LAs recognise the need to refresh/ review their current economic strategies to reflect the many changes highlighted in this report. Currently there is no national guidance to support the development of local economic strategies.

Guidance can take the form of “how to” guides; set out reporting standards (templates); and provide examples of good practice.

There will be a number of benefits from developing national guidance, including:

- ensuring consistency and comparability;
- providing an analytical framework as a consistent baseline;
- providing a national quality standard;
- supporting capacity building within LAs;
- ensuring time compliance.

Crucially, in developing future local economic strategies a key question to address will be the spatial level at which the strategy is developed. While there is no right or wrong answer to this it should be a question that is at least addressed.

Economic Development Partnerships

The analysis has highlighted the role that partnerships play in delivering local economic development services. While it is recognised that partnership is a crucial component of the economic development mix, at any local level there are many partnerships, most of which have been around for many years and most of whose effectiveness may not have been challenged.

Partnership working takes up much time and resources and it will therefore be important to ensure its effectiveness and efficiency. Also are the LAs the right organisations to deliver any particular services or would others be better placed?

Therefore as part of any strategic development process it will be crucial to review all local delivery partnerships.

Within this, the role of the private sector in economic development partnerships should be included within any research brief.

Performance Measurement

Performance improvement is a key issue for Local Government. Economic development is not immune from this agenda and must itself examine how it will improve its service delivery. In order to be able to understand how to improve performance, it will be important that it is firstly able to be measured.

Currently there is no robust and consistent method to measure and report the performance of economic development. In this there are two quite separate and distinct types of measurement:

- measuring changes to the overall performance of the economy *per se*; and
- measuring the effect of specific interventions on that performance.

Both these are relevant measurements of progress and success and there should therefore be an agreed corporate approach around issues such as:

- appropriate key performance indicators;
- an agreed suite of activity, output and outcome measures;
- sources of information and collection details;
- monitoring and reporting protocols;
- approach to evaluation.

It may not be necessary for a complex framework as a simple approach to performance measurement may still produce good quality results. The additional benefits are that it allows reporting of outputs/ outcomes at a national level and will be able to show the contribution Scotland's LAs make to Government strategic objectives and targets.

Funding

The resources available for economic development are likely to be constrained. In the short term the economic downturn means less private resources and in the longer term lower budget settlements will have a similar effect.

It will therefore be important to ensure that all LAs are aware of all different sources, methods and opportunities to fund future activities. This could include:

- new ways of funding such as Tax Increment Funding, BIDs etc
- awareness of all different sources of funding;
- better access to partners funds;
- how to engage with the private sector (JVs/ PICs etc)

Funding (or rather lack of) is seen as the key issue by the LAs in moving forward and delivering a local economic development agenda.