

News release

Embargoed until 00:01 hours, Thursday 14 July 2016

Enterprise bodies performing well but government's economic strategy needs more development

Scotland's enterprise agencies are performing well and having a positive impact on businesses and communities but the Scottish Government needs to do more to link their work to its economic strategy and to set out in detail how that strategy will be achieved.

Scotland's economy is worth around £142 billion. A new report by Audit Scotland reviews the work of Scottish Enterprise and Highlands and Islands Enterprise, which have a specific remit to support economic growth, and how they aid delivery of the Scottish Government's economic strategy.

Despite spending reductions in recent years, Audit Scotland found that both agencies have been successful in their respective roles, with clear strategies and good governance arrangements in place. They collectively work with or assist around 11,200 businesses each year and there are good examples of the agencies working with partners to achieve a positive impact, such as creating jobs.

The report recognises that economic growth is complex, and concludes that the Scottish Government needs to be clearer on how its strategy will be implemented. A stronger approach is also needed to measure progress towards achieving the government's economic priorities. For example, though the enterprise bodies perform well against their individual targets, it's not possible to measure how they contribute to delivery of the government's strategy.

The report notes that a lack of information on the full range of support for businesses creates a risk of duplication. Building a clear picture of the support available, clarifying roles and responsibilities, and raising awareness of what's on offer will make it easier for businesses to understand and access these services.

Caroline Gardner, Auditor General for Scotland, said: "The advent of new financial powers means that the Scottish Government now has a direct stake in the performance of the Scottish economy. Scottish Enterprise, and Highlands and Islands Enterprise have a positive impact on businesses and communities but their work is only part of the activity that contributes to the Scottish Government's ambition for sustainable and inclusive economic growth.

"New powers, continuing pressure on public finances, and uncertainty following the recent EU referendum mean that the Scottish Government needs to target public sector activity and funding where they will have the biggest impact on achieving its economic strategy. It also needs to be able to measure progress so its plans remain on track."

For further information contact Kirsty Gibbins on 0131 6251658 or kgibbins@audit-scotland.gov.uk

Notes to editors

1. Five central government bodies are directly involved in economic development and stimulating economic growth - Scottish Enterprise, Highlands and Islands Enterprise (HIE), VisitScotland, the Scottish Funding Council and Skills Development Scotland (the Strategic Forum partners). Scottish Enterprise and HIE are Scotland's national economic development agencies and, together, have a specific remit to generate economic growth across Scotland. In 2014/15 Scottish Government funding

for the Strategic Forum partners totalled £2.2 billion. Of this, £276 million (13 per cent) was for Scottish Enterprise and HIE.

2. HIE's functions apply in the Highlands and Islands area only. Scottish Enterprise has a statutory duty to undertake economic development for lowlands Scotland. The bodies carry out similar types of activity, including supporting businesses, sectors and infrastructure projects and influencing economic development decisions. HIE's distinctive geography and additional remit to support communities and fragile areas means that its customers and rationale for its support can differ to that of Scottish Enterprise.

3. In 2014/15 Scottish Enterprise and HIE's spending totalled £398 million. Their combined spending has reduced by 12 per cent, in real terms, since 2008/09. The agencies work with or assist approximately 11,200 businesses each year - Scottish Enterprise works with around 10,000 businesses, HIE works with approximately 1,200 businesses and 600 community organisations. They offer a range of financial and non-financial support, including funding (in the form of grants, loans and equity investment), advice, training programmes and events.

4. Since 2007 the Scottish Government's overall purpose has been 'to create a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth'. Its economic strategy sets out its priorities and broad approach to help achieve this. Progress towards the Scottish Government's overall purpose is measured through targets, outcomes and indicators in its National Performance Framework.

5. Economic growth is commonly measured by the increase in Gross Domestic Product (GDP) every quarter. GDP is the total value of goods and services produced by all sectors of the economy. The latest quarterly figures show that GDP for Scotland grew by 0.2 per cent between September and December 2015. Although GDP is now 3.2 per cent higher than pre-recession levels, economic growth in Scotland has been slower than the rest of the UK. Annual figures show that Scotland's economy has grown by 6.8 per cent since 2012 compared to 8.8 per cent for the whole of the UK. In the 12 months to December 2015, Scottish GDP was valued at £142 billion. Exhibit 1 sets out some facts about Scotland's economy.

6. Audit Scotland reviewed seven case studies to help inform judgements in the report. We have published an online supplement which includes details of spending, support provided and impact.

7. Audit Scotland has prepared this report for the Auditor General for Scotland. All Audit Scotland reports published since 2000 are available at www.audit-scotland.gov.uk

- The Auditor General appoints auditors to Scotland's central government and NHS bodies; examines how public bodies spend public money; helps them to manage their finances to the highest standards; and checks whether they achieve value for money. The Auditor General is independent and is not subject to the control of the Scottish Government or the Scottish Parliament
- Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act, 2000. It provides services to the Auditor General for Scotland and the Accounts Commission for Scotland.