

The role of the economic development agencies



Prepared by Audit Scotland

Since 2007, the Scottish Government's overall purpose has been to increase sustainable economic growth.¹ Progress towards the government's purpose is measured through a number of targets and outcomes in its National Performance Framework (NPF).² All public bodies have a role in supporting economic growth and are required to demonstrate how their activities contribute to outcomes in the NPF.

Its economic strategy, *Scotland's Economic Strategy* identifies four priorities for the public sector to help deliver a competitive, sustainable and fairer economy:³

- **Investment** in people, infrastructure and assets.
- **Innovation** by encouraging research and development activity and entrepreneurship.
- **Internationalisation** through supporting businesses to export and expand into new markets and encouraging inward investment.
- **Inclusive growth** through building a labour market with sustainable and well-paid jobs and removing barriers to employment.

Why is this audit important?

The Scottish Government expects its economic development agencies – Scottish Enterprise (SE) and Highlands and Islands Enterprise (HIE) – to have a principal role in delivering the government's economic priorities. SE and HIE support economic growth through a range of financial and non-financial support to businesses at an estimated cost of £380 million each year.⁴ The audit will help to increase public awareness of what this money is spent on and what it achieves. Investment in individual projects can be significant and high risk. SE and HIE need to demonstrate that they are targeting resources where they will have most impact on Scotland's economy.

What will the scope of the audit be?

The audit will assess the roles of SE and HIE (known as the enterprise bodies) which together have a specific remit to generate economic growth across Scotland. We will consider how the enterprise bodies work with the Scottish Government to determine economic priorities and deliver outcomes in the NPF. The audit will not assess economic development

activity by other bodies, such as councils. However we will assess how well the enterprise bodies work with partners to plan, manage and evaluate economic development activity. We will answer the following questions:

- What are SE and HIE's priorities for supporting economic growth and how are these determined and delivered?
- Do the enterprise bodies have processes in place to support well-targeted investment decisions and effective management of their investment projects?
- What impact does the enterprise bodies' activity have on supporting economic growth and does it provide value for money?

How will we carry out this audit?

There will be three main strands of audit work:

- We will provide a high-level overview of the economic development landscape to explain how much is spent, which bodies are involved in supporting economic growth and what they do.
- We will assess the arrangements that the enterprise bodies have in place to determine their priorities, support effective decision-making and measure the impact of their activities.
- We will review six case studies to highlight the range of support that SE and HIE provide and to test their governance arrangements.

We will review documents at both a strategic and case-study level. These will include the enterprise bodies' corporate plans, project guidance, performance reports and impact assessments. We will interview staff at the Scottish Government, SE and HIE to help us understand how investment decisions are made. For each case study we will also speak to the other partners involved, including the

business sector, to help us assess how projects are funded, managed and evaluated.


What impact will the audit have?

This audit will raise awareness of public sector economic development activity and the environment in which the enterprise bodies operate. It will provide an independent assessment of how well SE and HIE determine their priorities, make investment decisions and monitor impact. It aims to provide assurance to the Scottish Parliament and other stakeholders that public money is being invested appropriately, ie in line with strategic priorities and where successful outcomes are most likely to be achieved. We will highlight good practice and make recommendations to help improve economic development activity.

Audit timetable

We aim to publish a report in summer 2016. Following publication, the Auditor General will present findings to the Scottish Parliament's Public Audit Committee.

Contact

If you have any questions about this audit please contact Gill Miller, Audit Manager, on 0131 625 1830 or by email at [gmiller@audit-scotland.gov.uk](mailto:gmillier@audit-scotland.gov.uk) 

Notes:

- 1 *The Government Economic Strategy*, Scottish Government, November 2007
- 2 www.scotland.gov.uk/About/scotPerforms
- 3 *Scotland's Economic Strategy*, Scottish Government, March 2015
- 4 2013/14 total expenditure for SE and HIE. The activities of other public bodies, such as Transport Scotland and the Scottish Funding Council, contribute to economic growth but it is not possible to estimate what proportion of their expenditure can be attributed to this.



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