

# Economy Committee

10.00am, Tuesday, 20 September 2016

## Economy Service – Annual Performance Review 2015/16

Item number  
Report number  
Executive/routine  
Wards

### Executive Summary

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The purpose of this Annual Review is to assess the performance of the former Economic Development Service (EDS). The Review forms part of an ongoing programme of performance monitoring. This report provides a high level summary of the Economy Service activity over the year April 2015 to March 2016.

The service is ahead of the expected four year target total across all three KPIs which are used to measure the success of the Council's Economic Strategy. These indicators are measured by a range of inputs on jobs, investment and helping people into work and learning.

The Economy Service is operating in the last year of Council's Economic Strategy: [A Strategy for Jobs: 2012-17](#) which is due to end 2017. The focus for the remainder of 2016/17 will be to continue to meet the KPI targets and to develop the new Economic Strategy.

### Links

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Coalition Pledges	<a href="#">P7</a> , <a href="#">P15</a> , <a href="#">P16</a> , <a href="#">P17</a> , <a href="#">P21</a> , <a href="#">P22</a> , <a href="#">P28</a> , <a href="#">P29</a>
Council Priorities	<a href="#">CP5</a> , <a href="#">CP6</a> , <a href="#">CP7</a> , <a href="#">CP8</a>
Single Outcome Agreement	<a href="#">SO1</a>

## Economy Service – Annual Performance Review 2015/16

### 1. Recommendations

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- 1.1 Economy Committee is asked to:
- 1.1.1 note the findings of performance review of 2015/16;
  - 1.1.2 note the findings of the overall progress on performance made to date;
  - 1.1.3 note the summary of activities being completed by the Economy Service;
  - 1.1.4 note the end of the Economic Strategy in March 2017.

### 2. Background

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- 2.1 The Economy Service undertakes an annual review of performance as part of its on-going monitoring programme. The last annual report was presented to Economy Committee on [23 June 2015](#).

### 3. Main report

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- 3.1 This review will be in two sections. The first will cover progress towards the completion of the Economic Strategy Key Performance Indicators (KPIs). The second part will provide a summary of Economy Service activities over 2015/16.

#### **Section 1: Economic Strategy Progress**

- 3.2 The purpose of this section is to assess the performance of the Economy Service over the course of the fourth year of the Economic Strategy: a Strategy for Jobs” or 2012/13 to 2016/17. The detailed explanation of the methodology for measuring the KPIs and attributing them to the work of the Economy Service can be found in the [Operational Plan for 2012/13 to 2014/15 Technical Appendix](#).

#### ***Revised Key Performance Indicators***

- 3.3 At the Council’s Economy Committee meetings on [23 June 2015](#) and the [15 September 2015](#) the committee agreed to add an additional stretch to the three

headline KPIs. The new targets to be achieved by the Economy Service by the end of 2016/17 are:

- 3.3.1 support the creation and safeguarding of **4,100 jobs** (net) in Edinburgh, up from 3,336;
  - 3.3.2 support **£600 million** (net) of physical investment in Edinburgh, (up from £300 million); and
  - 3.3.3 support the movement into work and learning of **18,000 people** (net), (up from 10,000 people).
- 3.4 These new targets change the annual expected performance for the period 2015/16 and 2016/17. As an illustration of the additional stretch applied to the indicators, the changes in the expected annual performance totals are:
- 3.4.1 support the creation and safeguarding of jobs: increase from **667 jobs** to **1,050 jobs** (net) per year;
  - 3.4.2 support physical investment in Edinburgh: increase from **£67 million** to **£200 million** (net) per year; and
  - 3.4.3 support the movement into work and learning: increase from **2,000 people** to **3,500 people** (net).

#### ***Annual KPI performance 2015/16 from the Economy Service***

- 3.5 Within the period 2015/16, the Economy Service met the expected annual performance for all three indicators. Relative to 2014/15, two of the three indicators were higher with the indicator for work and learning marginally down on the 2014/15 total. The Economy Service achieved the following net values in relation to their KPIs:
- 3.5.1 the creation and safeguarding of **1,200 jobs** in Edinburgh (*596 jobs in 2014/15*);
  - 3.5.2 the support of **£337.5 million** of physical investment in Edinburgh (*£88.5 million in 2014/15*); and
  - 3.5.3 the movement into work and learning of **3,687 people** (*3,721 people in 2014/15*).

#### ***Cumulative KPI performance from the Economy Service***

- 3.6 In the period between 2012/13 and 2015/16, the Economy Service has stayed on track with all three indicators. The running totals since the start of 2012/13 are:
- 3.6.1 the creation and safeguarding of **3,408 jobs** (net) in Edinburgh (above new target);
  - 3.6.2 the support of **£566 million** (net) of physical investment in Edinburgh (above new target); and

- 3.6.3 the movement into work and learning of **14,129 people** (above new target).
- 3.7 The performance for each KPI is represented diagrammatically in [Appendix 1](#). This shows the performance each quarter since 2012 against a projected target level, which is based on a straight line projection to final end of 2016/17 target.
- 3.8 If activity was to continue at a similar pace and size to what has been achieved in over the past four years, Edinburgh can achieve the three targets set in the Economic Strategy.
- 3.9 Work on developing a new Council Economic Strategy is required in the next few months. This will need to take account of the changing economic environment, financial challenges as well as budgetary constraints within the Council.

## **Section 2: Economy Service Activity over 2015/16**

- 3.10 This section provides a summary of the Economy Service activities over the period 2015/16. Activity has been organised under the three programmes from the strategic theme of Ensure Economic Vitality identified in the [Council's Business Plan 2016-20](#). This strategic theme can be defined as the priority to further strengthen Edinburgh's international competitiveness, supporting business growth and investment.
- 3.11 The three programmes that related to the work of Economy Service which appear in the Council's Business Plan are:
- Support **business growth and investment**;
  - Ensure **access to work and learning opportunities** for all our citizens;
  - Deliver a **vibrant, sustainable local economy**.
- 3.12 Highlights of progress against key areas have been included in [Appendix 2](#). There is encouragement in the successes of the city as a result of the cumulative work of the service over a number of years. These include success from physical development activity (Edinburgh 12), better employability outcomes, and sustained business growth and foreign direct investment.
- 3.13 However, there are also many important challenges and opportunities ahead. These include maintaining international competitiveness in terms of investment and skills, ensuring the realisation of the City Region Deal, addressing inequality within the city and in-work poverty, as well as keeping pace with the change and growth of the tech and creative industry sectors.

## **Next Steps**

- 3.14 The Economy Service is operating in the last year of Council's Economic Strategy. The focus for the remainder of 2016/17 will be to continue to meet the KPI targets and to develop the new Economic Strategy which will inform future priorities.

#### **4. Measures of success**

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- 4.1 The performance of the EDS is measured using three KPIs. The performance against these KPIs is monitored and reported on a quarterly basis to Economy Committee.

#### **5. Financial impact**

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- 5.1 The actions and outputs described in this report have been met from within the Economy Service budget since 2012/13.

#### **6. Risk, policy, compliance and governance impact**

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- 6.1 The actions and outputs described in this report adhere to the risk compliance policy and governance arrangements. In addition the recommendations in the report do not impact on any existing Council policies.

#### **7. Equalities impact**

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- 7.1 A full [Equalities Impact Assessment](#) was carried out on the Economic Strategy in February 2012. In line with the Equality Act 2010, the Council has a duty to develop equalities outcomes. This performance information will be fed into that process.

#### **8. Sustainability impact**

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- 8.1 There are no sustainability impacts arising from the recommendation in this report.

#### **9. Consultation and engagement**

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- 9.1 There was no consultation or engagement activity required in preparing the recommendation for this report.

#### **10. Background reading/external references**

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- 10.1 The following background reading is relevant to this report:
- [A Strategy for Jobs: Edinburgh Council's Economic Strategy 2012-17](#)

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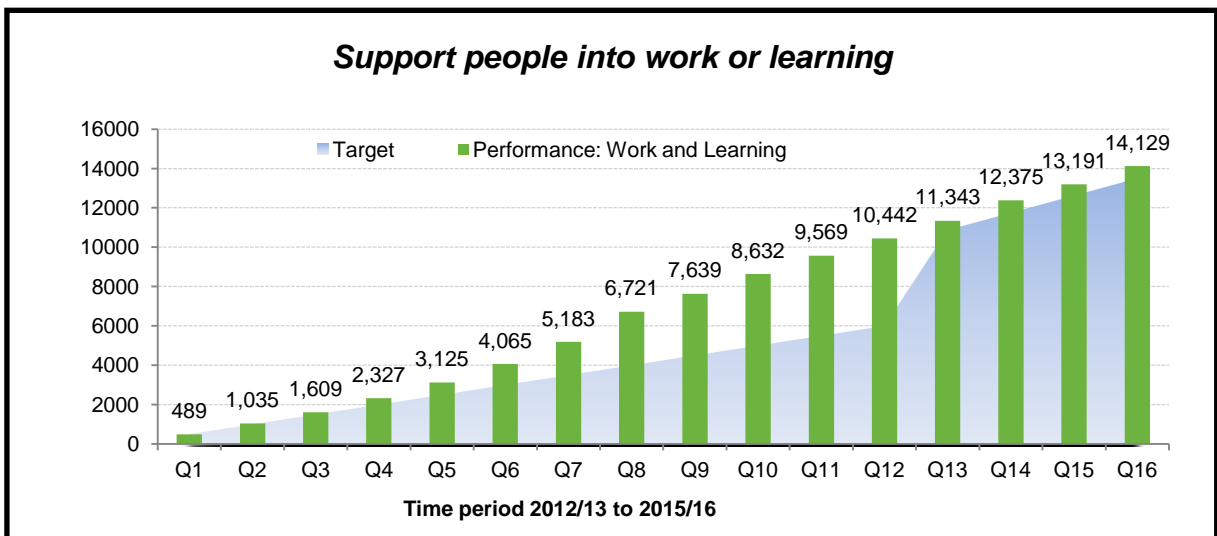
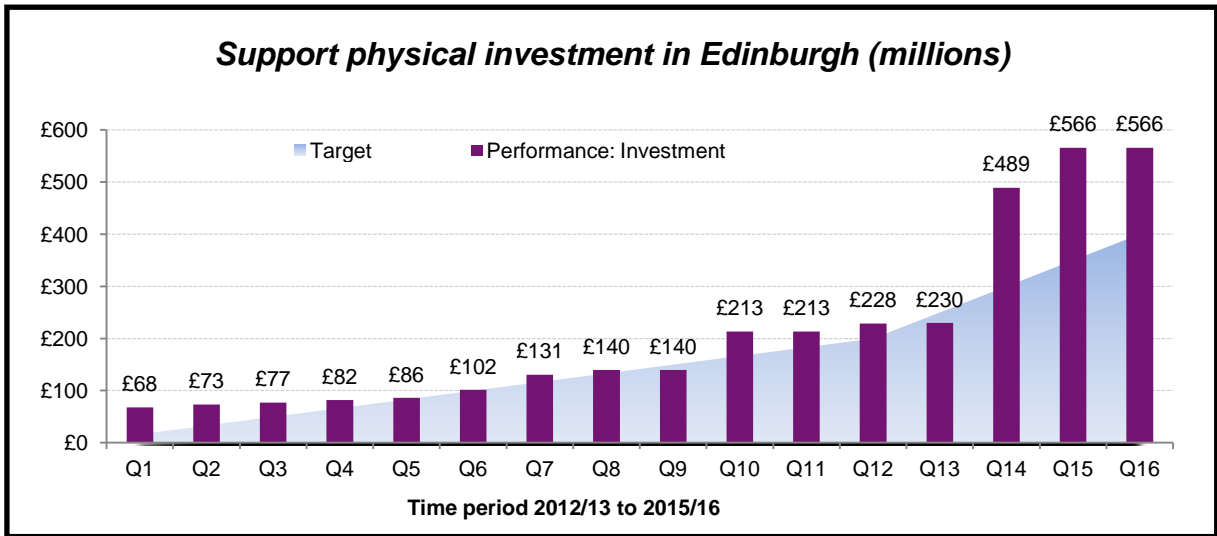
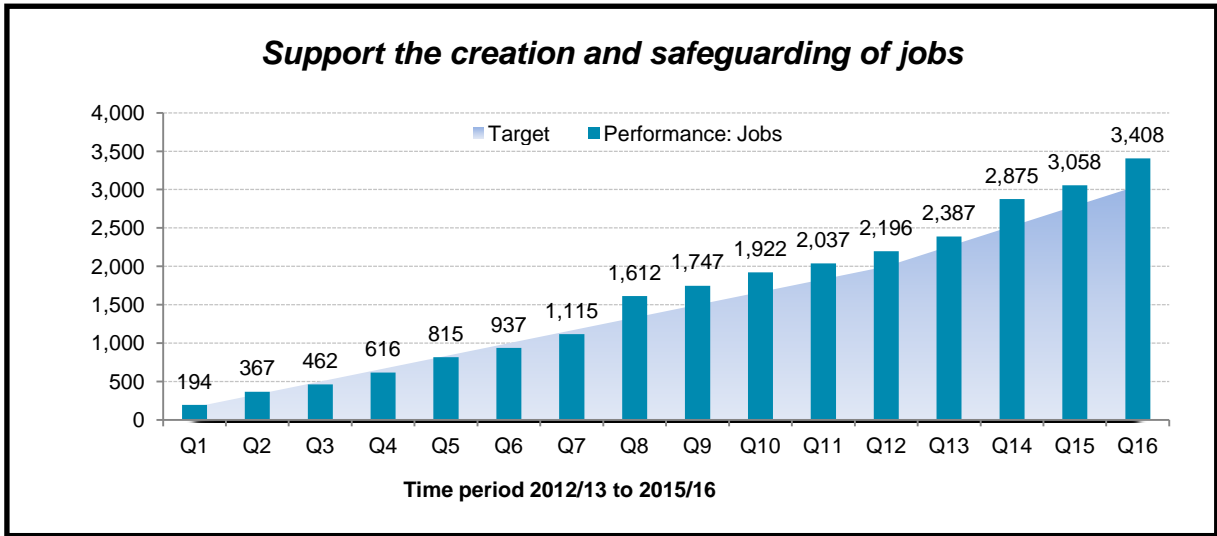
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## 11. Links

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<b>Coalition Pledges</b>	<p><b>P7</b> - Further develop the Edinburgh Guarantee to improve work prospects for school leavers</p> <p><b>P15</b> - Work with public organisations, the private sector and social enterprise to promote Edinburgh to investors</p> <p><b>P16</b> - Examine ways to source new funding to support small businesses</p> <p><b>P17</b> - Continue efforts to develop the city's gap sites and encourage regeneration</p> <p><b>P21</b> - Consult further on the viability and legality of a transient visitor levy</p> <p><b>P22</b> - Set up an independent forum to promote locally-owned retail businesses</p> <p><b>P28</b> - Further strengthen our links with the business community by developing and implementing strategies to promote and protect the economic well being of the city</p> <p><b>P29</b> - Ensure the Council continues to take on apprentices and steps up efforts to prepare young people for work</p>
<b>Council Priorities</b>	<p><b>CP5</b> – Business growth and investment</p> <p><b>CP6</b> – A creative, cultural capital</p> <p><b>CP7</b> – Access to work and learning</p> <p><b>CP8</b> – A vibrant, sustainable local economy</p>
<b>Single Outcome Agreement</b>	<p><b>SO1</b> - Edinburgh's Economy Delivers increased investment, jobs and opportunities for all</p>
<b>Appendices</b>	<p>1 – Progress toward the Economic Strategy, Key Performance Indicators from 2012/13 to 2015/16 by Quarter</p> <p>2 – Economy Service summary of activities 2015/16</p>

# Appendix 1: Progress towards the Economic Strategy Key Performance Indicators from 2012/13 to 2015/16 by Quarter



## Appendix 2: Economy Service summary of activities 2015/16

### Support Business Growth and Investment

Activity	2015/16 Highlights
<p><b>Support business growth:</b></p> <p><b>(a) Business start-ups</b></p>	<p>Edinburgh and Lothian was, and continues to be the highest performing Business Gateway area in Scotland. The number of new businesses starts supported from the Council's Business Gateway Service in 2015/16 was 1,923 businesses; this was 4% below the target of 2,000.</p> <p>In order to support business achieve their growth potential Business Gateway has also assisted high value business starts-ups. The number of high value business starts supported from the Council's Business Gateway Service in 2015/16 was 676 (440 potential and 236 confirmed high value). This was 29% and 69% above target, respectively.</p> <hr/> <p>Over the last year Business Gateway has helped companies such as high tech manufacturing start up <a href="#">Vert Rotors</a> to become a supplier to the UK Ministry of Defence, assisted award winning 3D hologram business <a href="#">Holoxica</a> to take on new graduate staff, and supported ski and snowboard equipment retailer <a href="#">FreezePro</a> with the development of their website and increasing their international sales.</p> <p>The Entrepreneurial Spark incubator started in Edinburgh in November 2012 and received its final year of Council funding in 2015/16. In total, the Council's contributed £483,000 and intense support was provided to 196 start-up businesses. Together they have had a Sales Turnover of £13.6 million (over three years), investment of £13.1 million has been made, and a total of 528 jobs have been created.</p>
<p><b>(b) Financial support for Businesses</b></p>	<p>The council managed the East of Scotland Investment Fund (ESIF) in Edinburgh. In 2015/16 four loans have been approved with three of these loans, to the value of £133,000, having advanced creating 19.5 jobs. ESIF came to an end on 31 December 2015 and a new pan Scotland fund, again benefitting from ERDF match funding, is currently being established. It was originally anticipated that the new fund would be available from January 2016 however there have been unforeseen delays due to complexities associated with European funding.</p> <hr/> <p>The 'Collaborate and Transform' (CAT) project has attracted grant funding of £235,000 from the Scottish Enterprise Open Innovation Programme. The Council is one of 12 organisations, working in a cohort over two years to improve methods of engagement with SMEs and increase the proportion of purchases from local businesses.</p>
<p><b>(c) Business Space development</b></p>	<p>The Creative Exchange is a high quality incubation and creative business space. Within the period 2015/16 the Creative Exchange was expanded to include additional desks and offices. It continues to attract new tenants including a digital high growth start-up and <a href="#">Euans Guide Disabled Access</a>. The overall occupancy rate has been as high as 90% and currently there are 45 companies based onsite comprising of 140 individuals.</p>
<p><b>Support Investment :</b></p>	<p>A range of support activity was provided to the Edinburgh 12 sites over 2015-16, including: advice on funding and planning applications, input towards the economic impact of development, introductions, and information for business cases. There has been significant progress on the majority of the Edinburgh 12 sites and a number have reached a stage where limited ongoing support is needed. A paper: <a href="#">Investment</a></p>



<b>(a) Edinburgh 12</b>	<a href="#">and Regeneration in Edinburgh Next Steps</a> was considered at the Council's Economy Committee meeting on the 28 June 2016.
<b>(b) Invest Edinburgh - Investment Promotion and Investor Support / International Talent Attraction</b>	<p>The total number of confirmed foreign direct investments in 2015 was 35, creating a total of 1,239 jobs. The jobs created total was higher in Edinburgh than in other UK cities outside of London. Amongst other awards Edinburgh won: 'European FDI City of the Year' The European 2015/16, and 'Best mid-sized City for Business Friendliness' Financial Times fDi Magazine 2016/17.</p> <p>In response to intense competition for talent within the technology centre, the Economy Service established the StartEDIN initiative to help attract additional skilled workers to Edinburgh in collaboration with the city's start-ups and tech companies. Actions included exhibiting at flagship events such as Silicon Milkroundabout, Europe's largest tech jobs fair and an agreement with <a href="#">CIC St. Louis</a> in USA which offers an exchange of office space and inward investor support.</p> <p>The Service has developed the "Edinburgh Hotel Prospectus", into a digital prospectus and downloadable app highlighting metrics on Edinburgh's hotel market and key opportunities for hotel operators and developers. The Invest Edinburgh website reached between 5,000 and 6,000 unique users each month, around one-third from outside the UK. A dedicated and parallel Invest Edinburgh Chinese website was created for access to the China World Web. Invest Edinburgh produces key sector films to attract investor interest which is widely used by the private and public sector as marketing collateral. The films reached 260,000 views on YouTube. A range of articles and advertorials highlighted Edinburgh's investment propositions to international investors.</p> <p>A Memorandum of Understanding was signed between the Council, Innovate Finance in London, and Scottish Financial Enterprise to support and promote Edinburgh's Fintech sector. The service worked with Scottish Ministers to introduce investment opportunities to Sovereign and Institutional Funds during the 2015 Festival period.</p>
<b>(c) International Relations</b>	<p>The Economy Service manages international relations on behalf of the Council, and leverages the city's civic and international linkages to support the Economic Strategy. In September 2015 the Economy Service supported the opening of the Edinburgh – Shenzhen Creative Industries Incubator at the Creative Exchange, Leith. This established a business space for the creative and tech sectors in both cities, supported by the Scottish Government within the context of the Scotland China Plan. The Economy Service supported the Royal Edinburgh Military Tattoo's visit to Australia and New Zealand.</p> <p>The International Visitor Management Scheme (IVMS) continues to receive requests from many delegations from a wide range of countries. There have been a total of 41 visit requests received and 28 hosted events enabling. Twin city projects with Krakow, Florence, Dunedin and Munich, and a visit by the CEO of Eurocities, promoted Edinburgh and opened new opportunities for collaboration. The Service additionally held Quarterly Parliamentary Briefings for members of the Scottish, UK and European Parliaments.</p>
<b>(d) External Funding</b>	Edinburgh Council set up an External Funding Initiative in October 2014, consisting of two full time officers. In 2015/16 the External Funding Officers worked on successful bids with a value of £7.9m. The successful bids will fund Edinburgh's Employability Pipeline, the Social Inclusion Programme, Archiving of City records, renovation of the Castle Mill Works building and the regeneration of the centre of Pennywell and Muirhouse.

## Ensure access to work and learning opportunities for all Edinburgh citizens

Activity	2015/16 Highlights
<b>(a) Secure employment or progression opportunities</b>	<p>In 2015/16 there were a total of 4,630 unique participants on council funded or operated employability activities. In the same year, a total of 1,388 people progressed to employment as a result of their participation in Council funded or operated employability activities.</p> <p>In 2015/16 the Big Lottery funding was secured to embed Edinburgh Project SEARCH within the Council and the National Health Service (NHS) as a partnership for two years, offering up to 24 new internships a year.</p> <p>In 2015/16 a new European funding stream up to the value of £ 1 million was secured from the Scottish Government. This resulted in three new in-work poverty initiatives to tackle poverty and inequality, including a union based support service for workers rights and support for Fort Kinnaird Recruitment Centre to sustain seasonal jobs into permanent positions.</p> <p>In 2015/16 a renewed four year Employability Hubs contract was developed and concluded. This will boost support in regeneration areas. It aims to achieve 2,400 job outcomes and 1,600 progression outcomes during the length of the contract.</p>
<b>(b) Deliver an integrated employability and skills development service</b>	<p>During 2015/16 links have been strengthened with other public and education partners through the local Youth Employment Partnership who have agreed to adopt the Edinburgh Guarantee approach and brand to cover all funded youth provision in the city for vulnerable groups- giving a better consistency of message and support to our young people. This integration also includes the welcome addition of the Edinburgh College introducing a guarantee of a college place for all who apply, further increasing the reach of this initiative.</p> <p>In 2015/16 a partnership between the Council and the Department of Work and Pensions was developed and is now operational. This was aimed at young people experiencing homelessness and has supported over 125 young people.</p> <p>In 2015/16 partnership arrangements with employers and developers were supported by the Economy Service to better link job demand to our clients. This included putting in place two employer hubs - Fort Kinnaird Recruitment and Skills Centre, and the Edinburgh Airport Recruitment Centre. Further collaboration activity was completed with East Lothian and Midlothian councils. External funding was secured over three years to establish a Delivering Young Workforce (DYW) Regional Employers Board to enhance employer engagement.</p>
<b>(c) Positive outcomes for school leavers and young people</b>	<p>The proportion of Edinburgh's school leavers achieving a positive destination e.g. participating in education, employment, training and volunteering was 92.3%. This was an increase from 88.3% in 2012.</p> <p>The Scottish Government is moving away from tracking destinations for recent school leavers to a new participation measure that tracks the progress of all young people aged 16-19 year. It is anticipated that new figures will be released in 2016 and the team will be working with partners to use this new wider data set to further enhance the impact of the Edinburgh Guarantee.</p>

## Deliver a vibrant and sustainable local economy

Activity	2015/16 Highlights
<b>City Region Deal</b>	Six local authorities that make up the Edinburgh and South East Scotland City region are working collectively on a bid to the UK and Scottish Governments for a City Region Deal. In 2015/16 the UK Chancellor announced agreement to begin negotiations with Edinburgh and regional partners on a developing a deal and these negotiations are now underway.
<b>Connected Capital</b>	The Edinburgh Connected Capital Voucher scheme has delivered broadband vouchers to 100's of businesses in Edinburgh, the city region and across Scotland. Phase 3 of the scheme commenced in April 2015, and 199 vouchers were issued in Edinburgh to the value of £401,000. The Scheme was extended to other Scottish cities for which City of Edinburgh Council administered the fund. Including these areas, a total of 552 Phase 3 vouchers were issued with a value of £1,331,000. The Scheme closed early as all funds had been allocated across the country by 12 October 2015.
<b>Sustainable Energy Action Plan</b>	The Sustainable Energy Action Plan (SEAP) details a strategic programme to reducing carbon by 42% by 2020 through five programmes. This was approved by the council in February 2015. During 2015/16, energy retrofitting of street lighting in Edinburgh has been carried out; the council signed up to the London RE:FIT scheme which will result in retrofitting nine of the largest council buildings; and a district heating strategy was commissioned to develop specific district heating schemes across the city.
<b>Success in Town centre improvements</b>	The Economy Service provides support to Edinburgh's Business Improvement Districts which deliver around £1.3 million levy per year and represent 1,142 businesses. The total number of BIDs in the city now stands at four, more than any other local authority in Scotland. The Greater Grassmarket BID was selected as the first <u>Neat Street</u> outside of London to promote the area under a Keep Scotland Beautiful environmental campaign.
<b>Low Carbon Jobs</b>	A stakeholder consultation was carried out in December 2015 on the Low Carbon Jobs and Investment Framework. The Framework aims to deliver the Council's strategic objectives of reducing carbon emissions whilst supporting and strengthening the economic well being of the city. The <a href="#">Low Carbon Jobs and Investment Framework</a> was presented to the Economy Committee on the 26 April 2016.