

Strategic Performance Framework

Draft

September 2017

An interim strategic plan is being developed to guide collaboration between the Enterprise and Skills agencies and is described in other papers. The interim plan sets out collaborative actions which the agencies can take forward in the short-term to help make Scotland more competitive and improve the performance of the labour market.

A more comprehensive Strategic Planning process is recommended to create a longer-term plan which the Strategic Board can own and drive. For example, the Strategic Board may take the view that it wishes to focus on a small number of priority actions or themes in order to have most impact on the economy.

This paper, therefore, presents an illustrative Performance Framework based on a range of activities and outcomes suggested by the interim plan and Enterprise and Skills Review to date. There are alternative models and the framework may be substantially revised when the Strategic Board finalises its priorities. The selection of indicators will also need to be refined in line with those priorities.

The principles of Inclusive Growth are embedded within the Government's purpose and will also be core to the development of new, collaborative interventions and be evident in any approach to measurement.

The outcomes described in the Strategic Plan relate to improved quality of life and shared prosperity of communities across Scotland. However, the interventions prioritised by the Enterprise and Skills agencies will consist of part of the factors affecting overall economic performance. The logic-model linking actions to outcomes needs to be carefully developed and fully evidenced - and while we can identify and report on indicators these should be regarded as no more than a representation of progress towards achievement of any strategy. Evidence from robust analysis and evaluation will be needed to inform priorities.

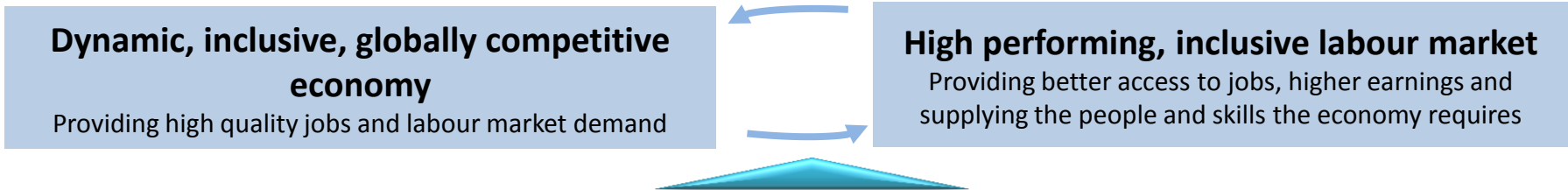
1. The Performance Framework is linked to the interim Strategic Plan and is informed by plan outcomes.
2. This illustrative Performance Framework, like the interim plan, takes account of the 5 drivers of productivity but other framework models may be suggested as the Strategic Board finalises its priorities and direction.
3. The Performance Framework described here aims to track:
 - **high-level economic performance** (tracking indicators), where there is aspiration for improvement against top quartile/high-level international/UK performance, building on the twin concepts of the High Performing Inclusive Labour Market and the Dynamic, Inclusive, Globally Competitive Economy which are driving the thinking of the Board
 - outcomes and outputs of **greater collaborative working** across the agencies
 - Agency-level outcomes and outputs, including an approach to assessing the **impact of engagement** (with companies and individuals)
4. The indicators should show sub-Scotland performance where possible.
5. Performance reporting is not simply a set of numbers. There is a requirement for **analysis** of the connection between the actions in the Strategic Plan and the impact on economic performance supported by **evaluation** activity.
6. Measures within the Performance Framework should not be used as drivers of actual activity. The measures can only ever act as **proxies** for the actual outcomes and therefore the activities should instead be focused on achieving the outcomes, rather than improving the measures.
7. The Performance Framework should be consistent with other relevant measurement frameworks – including those in development e.g. the NPF, Inclusive Growth Framework and Fair Work Framework.
8. The framework measures in this paper are those that can be **more directly influenced** by the Agencies – other measures that contribute to raising productivity, wellbeing and equality (e.g. transport, health, etc) can be captured in the wider National Performance Framework/Inclusive Growth Framework.

Vision: To make Scotland a more successful country, with opportunities for all to flourish, through increasing sustainable economic growth
Long-term goal: **“Scotland to rank amongst the top quartile of OECD countries for productivity, equality & wellbeing and sustainability”**

...working within the strategic frame provided by:



...focused on the enterprise and skills systems, to achieve:



Shaped by the *Drivers of Productivity and Growth*, set out in the Phase 2 Report:



The plan will set out actions to address these drivers in a way that promotes fair work, tackles inequalities across Scotland and generates long term sustainable growth.



Hierarchy of Measures and Indicators



A small number of key measures for the Board and Committees to focus on to show clear progress against the contribution of the agencies to achieving the aim of Scotland ranking in the top quartile of the OECD.

Strategic Board
Long-Term
Outcome Measures
(Tracking
Indicators)



Cross- Agency
Outcome & Output Measures

Additional measures to show how the cross-agency collaborative actions contribute to achieving the high level aims.

Individual Agency
Performance Frameworks
(Outcome and Output Measures)

A further level of measures to track progress in achieving specific Strategic Plan actions.*



* - the Strategic Board may not wish to consider this level of detail at each meeting but should know that these are available and aligned to higher levels.

Overall Ambition and Economic Outcomes

The Interim Strategic Plan describes activity contributing to a set of **Economic Outcomes**:

Skills	A skilled, productive and engaged workforce that can access higher quality, higher wage jobs
Innovation	Increased growth and productivity through higher levels of business innovation and R&D
	Stronger engagement between research and industry
	Growth in Scotland's globally competitive sectors and opportunities
Investment	Increased business investment
	Infrastructure investment to support the development of key growth opportunities
	Increased inward investment
	More investment in digital infrastructure and connectivity
Internationalisation	More new exporting businesses and increased levels of exports
	Broader internationalisation
Enterprise	More businesses led by under represented groups
	More businesses in Scotland with higher growth ambitions
	More entrepreneurs starting up high growth ventures

Additionally, the final Performance Framework should consider the four factors underpinning the drivers. Example measures for these are included alongside those for the drivers in the slides that follow.

Illustrative Key Economic Measures: Summary

Scotland's performance for key indicators can be monitored and benchmarked. The gap to top quartile of benchmark economies indicates **the size and scale of the economic opportunity** if Scotland matched the best performers.

Illustrative measures are included below but the Strategic Board will finalise any Performance Framework based on the priorities it sets and a consideration of the most appropriate measures:

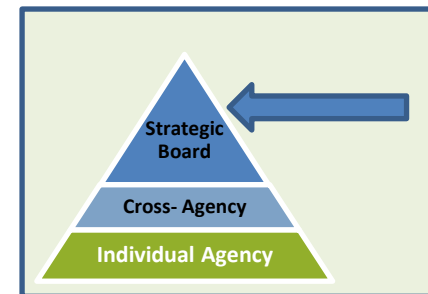
<i>Overall ambition – productivity, equality, sustainability</i>			<i>Skills</i>		
PRODUCTIVITY <div style="text-align: center;">QUARTILE 2</div> SIZE OF GAP/ OPPORTUNITY +£40bn GDP	INCOME INEQUALITY <div style="text-align: center;">QUARTILE 3</div> SIZE OF GAP/ OPPORTUNITY -13 % points	SUSTAINABILITY tbc	EMPLOYMENT RATE <div style="text-align: center;">QUARTILE 2</div> SIZE OF GAP/ OPPORTUNITY +50,000	EMPLOYEES BELOW LIVING WAGE <div style="text-align: center;">QUARTILE 1</div> n/a	% POPULATION WITH NO QUALS <div style="text-align: center;">QUARTILE 4</div> -110,000
<i>Innovation</i>			<i>Internationalisation</i>		
GROSS R&D <div style="text-align: center;">QUARTILE 3</div> SIZE OF GAP/ OPPORTUNITY +£2.1bn	BUSINESS R&D <div style="text-align: center;">QUARTILE 4</div> SIZE OF GAP/ OPPORTUNITY +£1.9bn	INNOVATIVE BUSINESSES <div style="text-align: center;">QUARTILE 2</div> SIZE OF GAP/ OPPORTUNITY +680	EXPORTERS <div style="text-align: center;">QUARTILE 3</div> SIZE OF GAP/ OPPORTUNITY +5,000	EXPORTS (OVERSEAS) <div style="text-align: center;">QUARTILE 4</div> SIZE OF GAP/ OPPORTUNITY +£85bn	EXPORTS (RUK & OVERSEAS) <div style="text-align: center;">QUARTILE 2</div> SIZE OF GAP/ OPPORTUNITY +£35bn
<i>Investment</i>			<i>Enterprise</i>		
BUSINESS INVESTMENT <div style="text-align: center;">QUARTILE 4</div> SIZE OF GAP/ OPPORTUNITY +£10bn	INWARD INVESTMENT <div style="text-align: center;">QUARTILE 1</div> SIZE OF GAP/ OPPORTUNITY n/a	DIGITAL MATURITY tbc	NO OF BUSINESSES <div style="text-align: center;">QUARTILE 4</div> SIZE OF GAP/ OPPORTUNITY +40,000	HIGH-GROWTH FIRMS <div style="text-align: center;">BELOW UK AVERAGE</div> SIZE OF GAP/ OPPORTUNITY +110	ENTREPRENEURSHIP <div style="text-align: center;">QUARTILE 3</div> SIZE OF GAP/ OPPORTUNITY +125,000

KEY: QUARTILE – Scotland's position relative to OECD countries or UK regions SIZE OF GAP/OPPORTUNITY – increased performance required to reach top quartile

Overall Ambition

Scotland to rank amongst the *top quartile* of OECD countries for *productivity, equality and sustainability*

Illustrative Measure	Scotland's performance	International/UK region ranking	Performance gap to top quartile (increased performance required to reach Q1)
Productivity (GDP per hour) (2015)	£35.50	OECD 2 nd quartile	+£9.60 (equivalent to +£40bn GDP) (+27%)
Inequality – Palma Ratio (2015)	137.6%	OECD 3 rd quartile	- 13 percentage points
Sustainability – Carbon footprint MtCO ₂ e (2013)	94.8	tbc	tbc

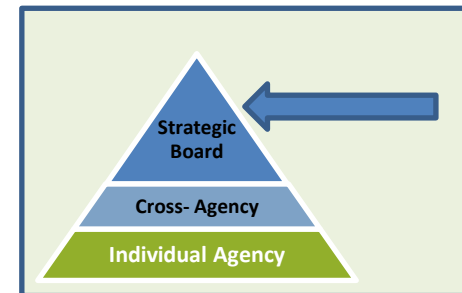


Economic Outcomes: Skills

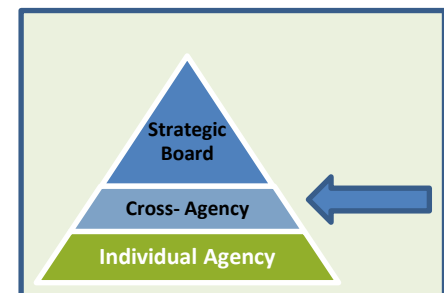
- A skilled, productive and engaged workforce that can access higher quality, higher wage jobs

Long-Term Outcome Measures

Illustrative Measure	Scotland's performance	International/UK region ranking	Performance gap to top quartile (increased performance required to reach Q1)
Participation rate (2016)	71.9%	OECD 2 nd quartile	+2.4 percentage points (+85,000 people in work)
% of 16-64 with low or no qualifications (2016)	11.9%	tbc	tbc
Full-time Median Gross Weekly Earnings (2017)	£535	UK regional rankings 1 st Quartile	tbc
Population earning below 'real' Living Wage (2016)	20.1%	UK regional rankings 1 st Quartile	tbc



Cross-Agency Outcome & Output Measures: employment/ participation for disadvantaged groups; % of 16-19 year olds in learning, training or work; % of working age with SCQF Level 4 qualifications or below; skills shortages/gaps, skills utilisation (under –employment).

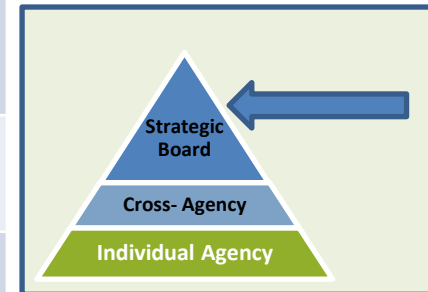


Economic Outcomes: Innovation

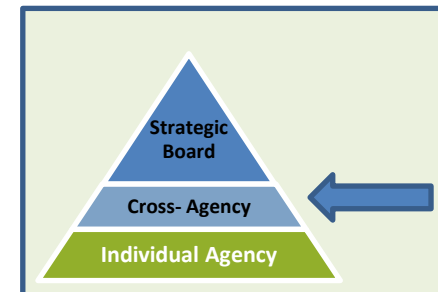
- **Increased growth and productivity through higher levels of business innovation and R&D**
- **Stronger engagement between research and industry**

Long-Term Outcome Measures

Illustrative Measure	Scotland's performance	International/UK region ranking	Performance gap to top quartile (increased activity required to reach Q1)
Gross expenditure on R&D (GERD) as % GDP (2015)	1.48% (£2,150m)	OECD 3rd quartile	+£2,127m (+100%)
Business expenditure on R&D (BERD) as % of GDP (2015)	0.6% (£871m)	OECD 4 th quartile	+£1,932m (+220%)
% of businesses (with 10+ emps) that are innovation active (2014)	56.4% (equivalent to 12,370 businesses)	OECD 2 nd quartile	+680 businesses (+5.5%)



Cross-Agency Outcome & Output Measures: HERD as % GDP; % of businesses introducing new products/services/processes; % of innovation active businesses collaborating with HE; Scottish Funding Council's Knowledge Transfer Metric; No of university spin-outs



Economic Outcomes: Investment

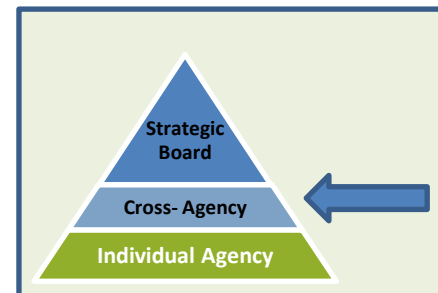
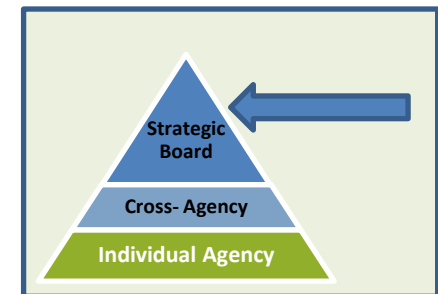
- **Increased business investment**
- **Infrastructure investment to support the development of key growth opportunities**
- **Increased inward investment**
- **More investment in digital infrastructure and connectivity**

Long-Term Outcome Measures

Illustrative Measure	Scotland's performance	International/UK region ranking	Performance gap to top quartile (increased activity required to reach Q1)
Business investment as % GDP (2014)	7.7% (£11.4bn)	OECD 4 th quartile	+\$10bn (+95%)
No of inward investment projects (per 1m population) 2011-15	15 (81 projects)	EU countries 1 st quartile	In Q1
Digital Economy Maturity Index*	3.2% of businesses classified as digital champions or pioneers	tbc	tbc

*The Digital Economy Maturity Index (DEMI) measures the distribution of Scottish firms across a scale based on their use and application of digital technologies.

Cross-Agency Outcome & Output Measures: £ investment in growth sector assets; inward investment jobs (total and high value); number of R&D inward investment projects; £ digital investment; Household and business broadband coverage

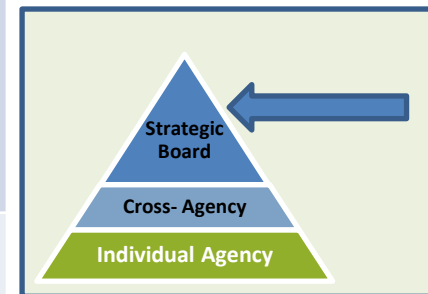


Economic Outcomes: Internationalisation

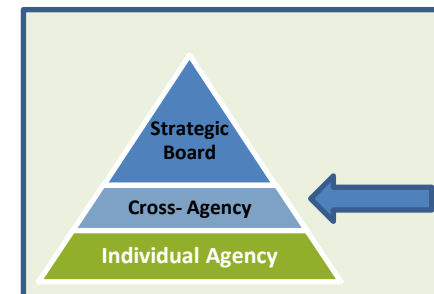
- *More new exporting businesses and increased levels of exports*
- *Broader internationalisation*

Long-Term Outcome Measures

Illustrative Measure	Scotland's performance	International/UK region ranking	Performance gap to top quartile (increased activity required to reach Q1)
% of registered businesses that export (overseas) (2015)	6.8% (11,500 businesses)	GB region 3 rd quartile	+5000 exporting businesses (+45%)
Exports (overseas) as % GDP (2015)	20.1% (£29,212 m)	OECD 4 th quartile	+£82,544m (+283%)



Cross-Agency Outcome & Output Measures: Exports growth (%); number of new exporters; % of innovation active businesses collaborating internationally.

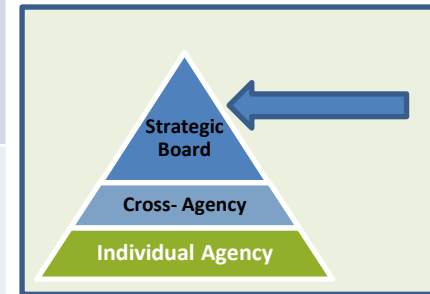


Economic Outcomes: Enterprise

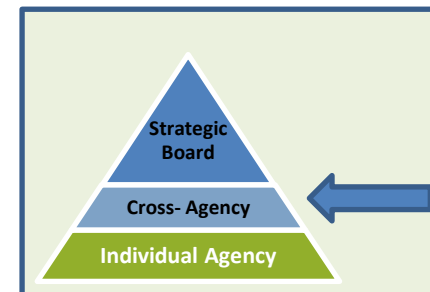
- **More businesses led by under represented groups**
- **More entrepreneurs starting up high growth ventures**
- **More businesses in Scotland with higher growth ambitions**

Long-Term Outcome Measures

Illustrative Measure	Scotland's performance	International/UK region ranking	Performance gap to top quartile (increased activity required to reach Q1)
Number of registered businesses per 10,000 popn (2016)	386 businesses per 10,000 (172,000 businesses)	UK region 4 th quartile	+58,000 businesses (+35%)
Proportion of businesses that are high growth (2011-15)	6.5% (11,500 firms)	tbc	tbc
Entrepreneurial activity rates of under represented groups	tbc	tbc	tbc



Cross-Agency Outcome & Output Measures: Number of Business start-ups; Number of start-ups that are led by underrepresented groups.



Next steps will include:

- Work to define the performance gaps that the Strategic Board wishes to prioritise, illustrating the scale of the challenge
- Linked to this, the Strategic Board will prioritise those activities which the evidence shows are most likely to drive outputs and outcomes
- Alignment of the agency performance frameworks to the strategic performance framework where relevant
- Develop approaches to performance reporting, evaluation and impact assessment

Much of this work will be taken forward by the Analytical Unit

Others activities to improve performance reporting between the agencies and Strategic Board include:

- Ensuring alignment of the individual agency performance frameworks with the joint strategic performance framework where relevant
- Identifying common measures for the agencies, where appropriate, to ensure consistency
- Ensuring we have the data needed to support performance framework reporting