REPORT TO: ECONOMIC DEVELOPMENT COMMITTEE - 8TH JANUARY 2007

REPORT ON: ECONOMIC DEVELOPMENT PLAN - MID TERM REVIEW

REPORT BY: DIRECTOR OF ECONOMIC DEVELOPMENT

REPORT NO: 712-2006

1.0 PURPOSE OF REPORT

1.1 To report to Committee on progress being made on the delivery of the Council's Economic Development Plan 2005 - 2007 at its mid term point.

2.0 RECOMMENDATIONS

2.1 Committee notes the contents of this report.

3.0 FINANCIAL IMPLICATIONS

3.1 None.

4.0 SUSTAINABILITY POLICY IMPLICATIONS

(a) Sustainability

The economic development plan recognises the economic as well as the environmental potential in promoting "green business" development. This action contributes to paragraph 8, *Waste Management,* of the Council's Sustainability Policy by encouraging reductions to the waste stream.

(b) Strategic Environmental Assessment

None.

(c) Anti-Poverty

The economic development plan outcomes contribute to this strategy by:

- Promoting economic development in general
- Promoting the economic development of poorer areas
- Providing employment
- Developing employment prospects

5.0 EQUAL OPPORTUNITIES IMPLICATIONS

5.1 None.

6.0 MAIN TEXT

6.1 The Council's approved 3-year economic development plan is operational 2005-2007 inclusive, and it undertakes that, as part of the monitoring and evaluation process, a mid term report would be published in 2006. This report is contained in the appendix.

6.2 Over the last 2 years, the city has continued to improve in terms of general economic performance with low and relatively stable unemployment figures being reported and an increase in employment levels. The key indicators are:

i. Total employment in Dundee grew by 1.3% between 2005 and 2006.
ii. Unemployment remains stable. Change over 2005/2006 was equivalent to the Scottish average and better than the UK figure.
iii. Long term unemployment has significantly improved over the period, moving from being 1.2% and 1.4% above Scottish and UK averages respectively, to 0.3% above Scottish average and 0.5% below UK average in 2006.
iv. The number of claimants of Jobseekers allowance as a ratio of Jobcentre Plus advertised vacancies has improved from 5:1 to 4.2:1.
v. Economic activity rates (those in employment or seeking employment) have improved from 75.4% to 76.7% of the total number of working age people.
vi. Average earnings have risen but not as fast as wage inflation in Scotland as a whole, or the UK.
vii. The stock of VAT registered companies increased by 20 in 2004 and 30 in 2005. However, the business start -up rate continues to lag behind Scottish and UK levels.

6.3 The economic development plan identifies 105 actions which have been developed to support the economic objectives expressed in the Dundee Partnership's *City Vision*. Progress on delivery of these to date, has been good, with 90% of actions either on schedule, ahead of schedule or complete.

6.4 The mid term report provides an opportunity to evaluate the actions and identify where blockages are occurring or where an approach may need to be revised in future plans. This report identifies 2 key issues which will require further consideration during the next plan period. These are;

- **Civil Service Jobs**
- **Business Start-up Rate**

6.5 **Civil Service Jobs Dispersal -** Dundee has been successful in getting on to location shortlists but the realisation of jobs on the ground is less than is to be expected from the positive performance in earlier stages. The Council will consider what additional steps can be taken to maximise the benefits of the Scottish Executive's decentralisation policy for Dundee.

6.6 **Business Start-up Rate -** During the plan period the Council has supported the provision of advice and assistance to start up businesses through their partnership in the Business Gateway. Since 2005 there has been uncertainty about the future of the Gateway as Scottish Enterprise has reviewed the provision of Gateway services across Scotland. That review has resulted in the current intention of Scottish Enterprise to tender Gateway services from 1st October 2007. This is aimed at concentrating resources on those start-ups most likely to develop into substantial businesses. Whilst the details of what will be in the final tenders is yet to be revealed it is clear that help for those aspiring to set up in business will be changed. The City Council will examine ways in which it can fill any emerging gap in service provision in the period ahead.

7.0 CONSULTATION

7.1 The Chief Executive, Depute Chief Executive (Support Services) and Depute Chief Executive (Finance) have been consulted in the preparation of this report.

8.0 BACKGROUND PAPERS

8.1 None.

DOUGLAS A A GRIMMOND
DIRECTOR OF ECONOMIC DEVELOPMENT **DATE: 21ST DECEMBER 2006**

Economic Development Plan 2005 - 2007

Mid Term Monitoring Report

Introduction

Dundee City Council's Economic Development Plan articulates the Council's priority actions for economic development over the 3 year period 2005-2007. Whilst recognising the need for flexibility to respond to unforeseen needs and opportunities as they arise, it establishes a broad framework of policy priorities and associated actions that the department aims to deliver on over the plan period.

The mid term evaluation report presents:

- a review of the global, national and regional context in which the plan has operated since coming into force;
- a review of progress against the key high level economic indicators identified in the plan;
- a review of the key influences which have shaped delivery of the plan;
- an overview of progress towards delivering the Plan's strategic goal and objectives;
- conclusions.

This report is based on regular monitoring of progress against each of the individual actions contained in the Plan's policy matrix.

Economic Context

Progress towards achieving the actions set down in the Economic Development Plan require to be interpreted in the context of global, national and regional economic conditions. With increasing globalisation and cross-border trading, local economic development is inextricably linked to the wider economic environment.

World

The world economy was strong over the first half of the plan period with China and India in particular experiencing rapid growth. To provide some historical perspective, Fraser of Allander Institute report that world growth is expected to average 4.8% per annum for the 4 years ending 2007 compared to an average of 3.4% per annum for the period 1975 to 2003.

The impetus for growth is however primarily from non-OECD countries. The Chinese economy grew by 9.9% in 2005 and is expected to see growth of 9.7% in 2006 and 9.5% in 2007. The Indian economy experienced growth of 8.5% in 2005, with growth of 7.5% in 2006 and 7.1% in 2007 forecast.

The US economy grew by 3.5% in 2005 and is forecast to expand by 3.3% in 2006. A slowdown in the housing market is expected to result in lower US growth of 2.9% in 2007.

The Japanese economy experienced growth of 2.7% in 2005 with growth of 2.9% and 2.3% forecast for 2006 and 2007 respectively. Rising levels of business confidence, employment growth and forecasted falls in unemployment suggest a positive future for the Japanese economy.

The global outlook is, therefore, for strong and balanced growth across most of the major world economies with the main risks coming from current account imbalances, slowing house prices and any unforeseen correction in oil or commodity prices.

Europe

Growth in the Euro area was modest in 2005 at 1.4% constrained in particular by weaknesses in domestic demand. Germany saw growth of 1.1% in 2005 whilst the French economy expanded by 1.4%. The forecasted growth in the Euro area for 2006 is 2.1% and 2.0% in 2007. Main risks come from global imbalances, a sharp correction to the housing market and a sustained rise in oil prices. After a period of growing below trend there are clear signs of a broad based recovery in the Euro area. The New Member States (NMS) enjoyed high levels of economic growth in 2005. 10.2% in Latvia, 7.5% in Lithuania and 6.0% in the Czech Republic for example. Growth in the NMS is expected to remain well above the rest of the EU although convergence is expected to commence from 2007.

UK

Growth levels slowed in the UK in 2005 to 1.8%. Nevertheless the outlook remains positive with growth of 2.3% expected for 2006 and 2.5% for 2007.

Services, and in particular financial services, continued to drive the UK economy although there are signs of more broad based growth. Investment and government spending are expected to be important drivers of future growth. The UK labour market remains extremely competitive exhibiting the second highest employment rate in Europe and a low rate of unemployment. There are, however, signs that unemployment, and long term unemployment in particular, are beginning to increase. Taken in tandem with the rising economic activity rate, this suggests that the economy is not generating sufficient jobs for the increasing numbers who wish to work. The surge of migration from the A8 accession countries has helped the economy to grow whilst helping to alleviate inflationary pressure on wage costs. Main risks to the UK economy are similar to those for the Euro area - global imbalances, a sharp correction to either the UK or US housing markets and any surge in oil prices.

Scotland

At 1.8%, the Scottish economy grew in line with the UK through 2005. The main driver of growth was Services at 2.8%. Construction grew by 1.3%, Agriculture by 0.5% whilst Manufacturing contracted by 0.2%.

In historical and relative terms the labour market remains strong although both employment and unemployment have been largely flat over the period. Relative to the UK the Scottish labour market has performed well between 2005 and 2006. Scotland exhibits a higher employment and economic activity rate than the UK, a similar unemployment rate and the gap between the UK and Scottish claimant count rates narrowed to 0.3 percentage points. Fraser of Allander Institute forecast that total employment in Scotland will grow through 2006 and 2007. The main driver will be Services. Unemployment is expected to remain at low and stable levels. Indeed with official unemployment levels at a historic low, the Scottish Executive is now placing increasing emphasis on addressing the broader issue of worklessness. In particular, the high geographical concentrations of working age persons on incapacity benefit and young people not in education, employment or training (NEET).

Projected growth levels for the Scottish economy in 2006 and 2007 are encouraging. The economy is expected to expand by 2.1% in 2006 and by 2.3% in 2007. Services will again drive growth levels.

Headline Indicators

Employment

The department's annual employment survey 2006, recorded positive yearly growth of 1.3% with overall job totals rising from 82,748 in 2005 to 83,790 in 2006. (Table 1) Fraser of Allander Institute forecast Scottish employment growth of 1.4% in 2005 and 1.2% in 2006. Although sources are not strictly comparable, this would suggest that employment growth in Dundee City is broadly in line with the Scottish position.

Four sectors experienced a decline in employment. These were Agriculture, Hunting & Forestry (-10.8%); Manufacturing (-5.0%); Electricity, Gas & Water Supply (-33.3%) and Hotels & Restaurants (-1.5%).

The sectors that expanded most in percentage terms were Extra-Territorial Organisation & Bodies, (11.7%) and Financial Intermediation. (7.5%).

Table 1

Employment Growth in Dundee City 2005 - 2006				
	2005	**2006**	**Change**	**% Change**
Agriculture, Hunting and Forestry	93	83	-10	-10.8%
Manufacturing	9607	9127	-480	-5.0%
Electricity, Gas and Water Supply	267	178	-89	-33.3%
Construction	4367	4298	-69	-1.6%
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles	13279	13368	89	0.7%
Hotels and Restaurants	5370	5287	-83	-1.5%
Transport, Storage and Communication	6161	6507	346	5.6%
Financial Intermediation	1975	2124	149	7.5%
Real Estate, Renting and Business Activities	7431	7479	48	0.6%
Public Administration and Defence; Compulsory Social Security	10596	10791	195	1.8%
Education	8551	9043	492	5.8%
Health and Social Work	11512	11856	344	3.0%
Other Community, Social and Personal Service Activities	2854	2884	30	1.1%
Extra-Territorial Organisations and Bodies	685	765	80	11.7%
Total	82748	83790	1042	1.3%
Source: Dundee City Council Economic Development Dept Annual Employment Survey				

Unemployment

The number of claimants of job seekers allowance remained largely stable in Dundee City between 2005 and 2006. The average rate of claimants to working age residents rose marginally, increasing from 4.3%, for the first 9 months of 2005, to 4.4% for the same period in 2006. (Table 2) In relative terms this shift of 0.1 percentage points mirrored the Scottish average and bettered the UK position where there was a 0.2 percentage point increase.

Table 2

JSA Claimant Count Numbers and Rates				
	Jan-Sep 2005		Jan-Sep 2006	
	Number	Rate	Number	Rate
Dundee City	3,833	4.3	3,852	4.4
Scotland	90,324	2.8	91,876	2.9
United Kingdom	873,347	2.4	966,844	2.6
Source: Nomis				

Long Term Unemployment

Dundee City experienced an improvement in the number and percentage of long term JSA claimants between 2005 and 2006. As a percentage of total claimants, the number whose duration of claim exceeded 12 months fell from a monthly average of 595 for the first 9 months of 2005 to 570 for the same period in 2006. (Table 3) In percentage terms this represented a drop from 15.6% of total claimants to 14.8%. In relative terms Dundee's position has improved significantly and is now better than the UK position. In 2005, the percentage of long term claimants was 1.2 percentage points above the Scottish average and 1.4 percentage points above the UK average. By 2006, Dundee City was just 0.3 percentage points above the Scottish average and had moved to 0.5 percentage points below the UK.

Table 3

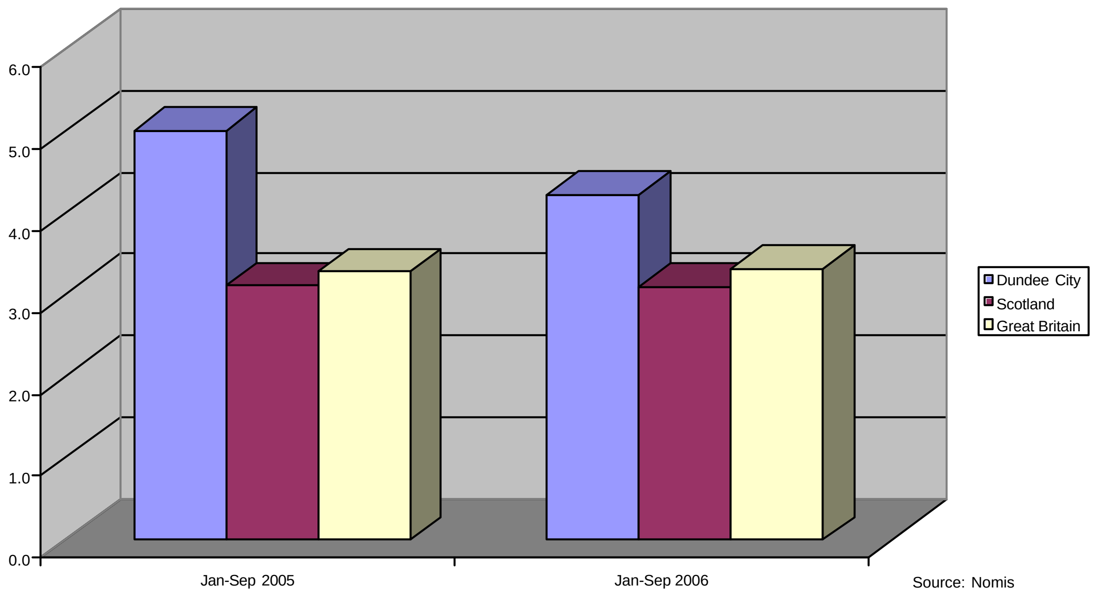
JSA Claimants of 12 Months+ Duration				
	Jan-Sep 2005		Jan-Sep 2006	
	Number	% of Total	Number	% of Total
Dundee City	595	15.6	570	14.8
Scotland	12,860	14.4	13,240	14.5
United Kingdom	123,040	14.2	146,890	15.3
Source: Nomis				

U/V Ratio

The ratio of claimants to jobcentre vacancies improved between 2005 and 2006. The monthly average of 5.0 claimants to every one vacancy over the period January to September 2005 improved to 4.2 for the equivalent period in 2006. The position at Scottish and GB level remained static at 3.1 and 3.3 respectively. Dundee's position in relation to these benchmarks has therefore improved over the period. (Figure 1).

Figure 1

U/V Ratio 2005 - 2006



Worklessness Targets

Dundee City is one of 7 local authority areas targeted for assistance by the Scottish Executive to address joblessness amongst the working age population. (The Workforce Plus initiative). Closing the Opportunity Gap (CTOG) Target A challenges Dundee to reduce overall numbers of working age people claiming out of work benefits by 1,750 (August 2007) and by 5,250 (August 2010) against a baseline of August 2004. (Table 4).

Table 4

Worklessness Targets (Working Age People Claiming Workless Benefits)							
	Aug 2004	Feb 2005	Feb 2006	Annual Change	Baseline Change	Target 1 - 2007	Target 2 - 2010
Dundee City	18,300	18,000	17,500	-500	-800	-1750	-5250
7 CTOG Areas	247,600	241,600	231,800	-9,800	-15,800	-30,800	-66,300
Source: Department of Work and Pensions							

Workless Benefits = Job Seekers Allowance; Incapacity Benefit; Income Support

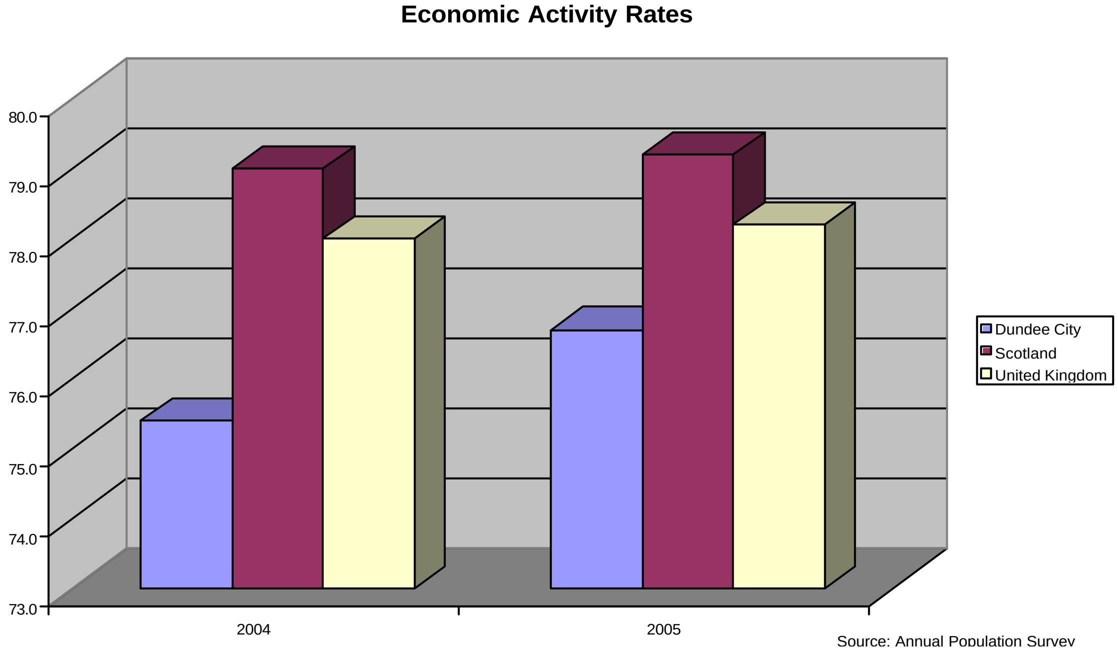
By February 2006, Dundee City had achieved 46% (800) of its Target 1 (1,750) reduction. The number of persons claiming an out of work benefit fell from 18,300 in February 2004 to 17,500 in February 2006.

Economic Activity

Latest data relating to Economic Activity is for the period January - December 2005.

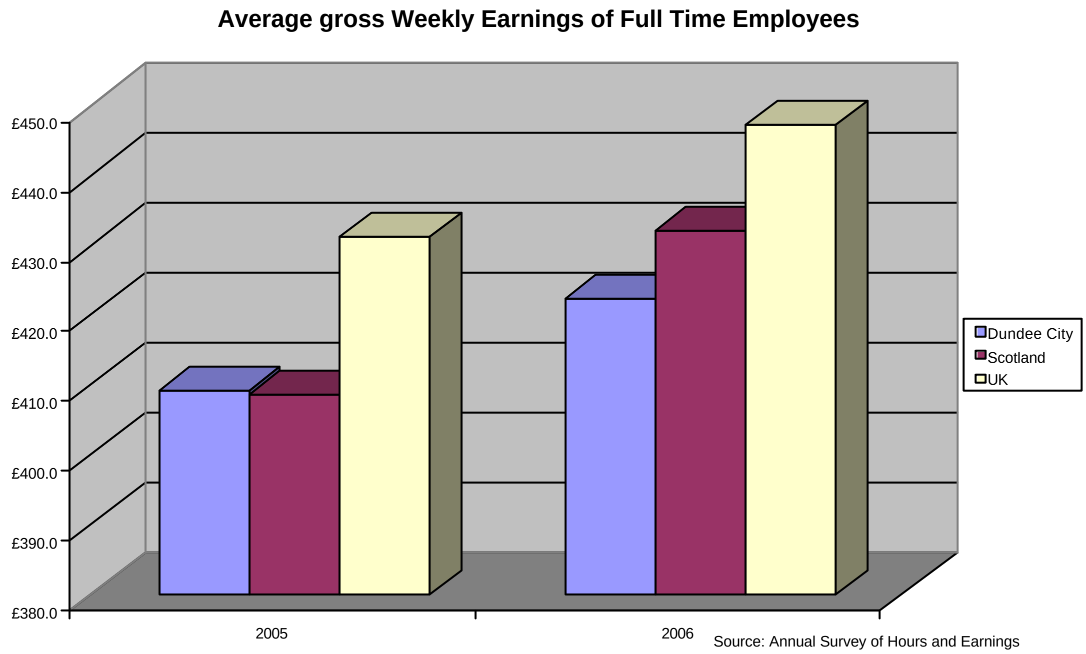
The proportion of the resident working age population in Dundee City who were economically active increased from 75.4% in 2004 to 76.7% in 2005. Whilst levels of economic activity in the City continued to lag behind the Scottish and UK average the gap narrowed over the period as these benchmarks remained largely static.(Figure 2).

Figure 2



Average Wage Levels

Figure 3



Between 2005 and 2006, median gross weekly earnings of full time employees working in Dundee City increased from £409.1 to £422.3. (Figure 3) However, earnings did not grow as rapidly as the Scottish or UK average over the period. In 2005, median earnings in Dundee were 0.1% higher than Scotland and 5.1% lower than the UK. In 2006, earning levels were 2.2% below the Scottish average and 5.5% below the UK position.

Business Start Ups

VAT Registration data is a recognised proxy measure used to monitor levels of new business activity. Latest data available relates to the year 2005. The number of new registrations decreased marginally from 265 in 2004 to 255 in 2005. There were 225 de-registrations in 2005 resulting in a net increase in the VAT registered business stock of +30 compared to a net increase in 2004 of +20. (Table 5).

Table 5

VAT Registered Enterprises in Dundee City*		
	2004	2005
Registrations	265	255
Deregistrations	245	225
Stock	2345	2375
Source: Small Business Service		
* Totals rounded to nearest 5		

As a proportion of the adult population, Dundee City continues to have lower registration numbers than the Scottish and UK averages. The number of registrations per 10,000 adults in Dundee remained static at 22 between 2004 and 2005. The number fell from 29 to 28 at Scottish level and from 38 to 37 at UK level. (Figure 4).

Key Influences on Plan Delivery

During the lifetime of any plan period, there are always issues arising which can influence the ability to implement actions, or at least inform the context of delivery. Below is a list of some of the considerations which have had, or will have an impact on what we do or how we do it.

Employability Agenda

The Scottish and UK Parliaments have had a long standing commitment to assist the unemployed return to work. However, recent policy changes have emphasised the need to engage with a wider client group identified as the "hidden unemployed", with a view to enhancing their employability. The additional groups that are now beginning to be targeted include those that are in receipt of Incapacity Benefit, Income Support and the "Not in Education, Employment or Training " (NEET) group of young people.

The UK Government is pursuing an ambition to achieve an employment rate equivalent to 80% of the working age population and cities are recognised as places where these client groups are concentrated. In support of this, the Department of Work and Pensions has launched the City Strategy Initiative to support cities improve their "employability infrastructure".

The Scottish Executive's "Closing the Opportunity Gap" strategy "target A" identifies Dundee as one of seven areas which are required to set targets to reduce the number of workless people whilst "target B" relates to the desire to reduce the NEET group. These requirements were re-emphasised in the Executive's Workforce Plus strategy which was followed by a financial allocation to Dundee to tackle employability. The Scottish Executive's NEET strategy was launched the same week and a further financial allocation has been made to Dundee to assist develop the support infrastructure and implement programmes for the NEET and "pre NEET" groups.

The City Strategy and Workforce Plus require a local employability consortium or employability partnership to be developed and this was established by the Dundee Partnership in February 2006 to oversee the development of Dundee's employability agenda which integrates the NEET group.

The development of this agenda has resulted in a greater emphasis on integration of service delivery and will be a high priority for economic development activities over the next few years.

City / Metropolitan Regions

The Scottish Executive is developing a strategy on city / metropolitan regions.

Dundee has a significant influence on, and interaction with the wider region. For example, activities in technological and pharmaceutical development, as well as physical changes around the Waterfront, are contributing to Scotland's economic objectives. Within this context, it is important that the vital role that Dundee performs is recognised in any new strategic policy direction. In anticipation of change, the Dundee Partnership's Working and Enterprise Group is now formulating a revised action plan to strengthen the focus on priority activities.

Decentralisation of Civil Service Jobs

The case proposed by the City of Dundee for the location of decentralised Civil Service jobs has been developed through research, statistical analysis of relevant data and assessment of property options. According to an Audit Scotland report, out of 15 case studies undertaken looking at options for the relocation of Civil Service departments, Dundee was deemed to be suitable in 9 of these, the most frequently occuring selection of all locations. However, the actual number of decentralised projects realised in Dundee has been 2, a disappointingly low outcome. It is important that we continue to state our case through the appropriate channels in order to support our strategic goal as a strong regional centre and a major Scottish city.

Resource Issues

The department continually assesses how its budgets are spent in terms of changing priorities, effectiveness of the expenditure and the leverage achieved through partnership working. During the period to date, some joint actions have been affected by constraints on Scottish Enterprises budget due to restructuring and this has contributed to decisions to review the funding of external bodies including Scottish Economic Research and Visit Scotland.

Structural Funds

The draft Operational Programmes for ERDF and ESF have been published by the Scottish Executive for consultation. There are numerous changes to the administration and scope of the Programmes in response to a budget which is 40% - 45% of the current available for Lowland Scotland. The new ERDF Programme will cover a much larger area and decisions will have to be made by the Scottish Executive regarding spatial distribution. It is proposed that the bulk of funding targeted towards research and technology development (RTD) and enterprise growth will be utilised by Scottish Enterprise with some available for challenge funding. The Priority focussed on community regeneration is to be targeted towards selected community planning partnerships on a pilot basis. It is intended that Dundee will bid to be chosen as one of these areas, linking strongly with the Employability Agenda where there is a strong convergence of policy with the draft Structural Fund programmes.

Social Enterprise

The plan has recognised the potential of this sector and, working with the Social Enterprise Partnership, the department has re-aligned resources to provide dedicated support for individual enterprises, for creating the conditions for new social enterprise development and in identifying new potential business opportunities.

Migrant workers

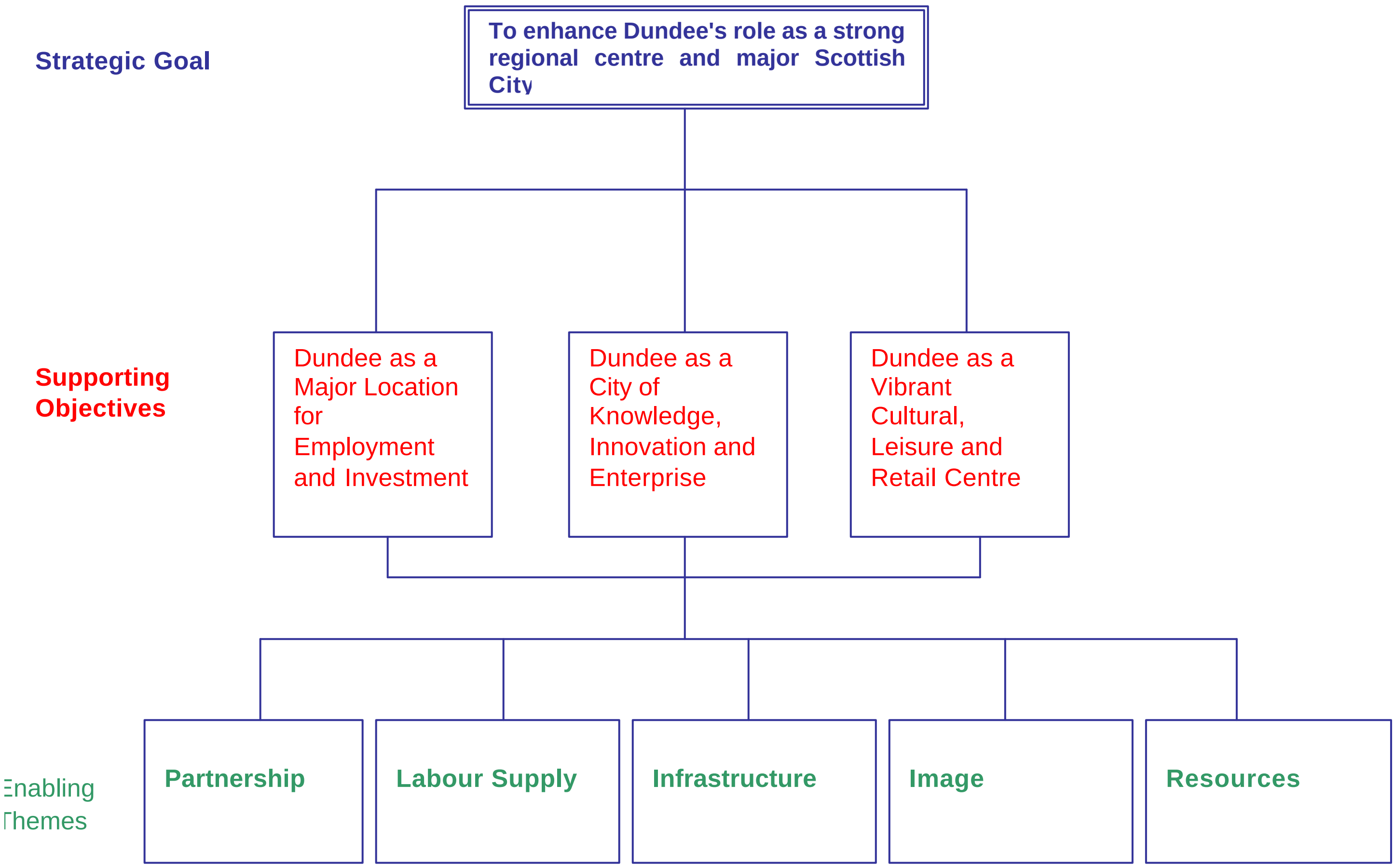
The Tayside and Grampian region has one of the highest levels of registered migrant workers in the UK and the most in Scotland. The main industrial sectors providing opportunities for these workers, who mainly come from the Accession 8 countries (new entrants to the EU), are agriculture, food processing and construction. The arrival of these workers has helped to alleviate some of the labour market pressures on those sectors and, as yet, there is no firm evidence that there is any displacement of job opportunities that would otherwise be taken up by the domestic labour market. There is the possibility that this development has suppressed wage inflation in the area which is displaying a more stable increase than Scotland and the UK but no detailed data is available to support this. It is likely, however, that given the wider implications for the provision of public services to these groups, it is anticipated that more work will be undertaken on the analysis of the impacts.

Progress towards Plan Delivery

This section provides an overview of progress achieved towards delivery of the Plan's strategic framework.

The plan has one overall strategic goal, 3 supporting objectives and 5 enabling themes (Figure 4).

Figure 4



The strategic goal, objectives and enabling themes each have a number of associated policy areas. Within each policy area there are action areas for delivery. Lead officers are assigned responsibility for individual action areas and provide annual progress updates.

The following section summarises the results of this monitoring activity and highlights key developments. It also looks at areas which require to be progressed.

Strategic Goal: Dundee as a Strong Regional Centre and a Major Scottish City

Progress Highlights

- The Local Economic Forum has been restructured on a City Region basis and now includes representation from Fife.
- The Working and Enterprise Theme Group commissioned an economic re-visioning process and is currently preparing an Action Plan for the period 2007-2009.
- The Central Waterfront area infrastructure programme is well underway. Development has commenced in relation to the initial sites and a marketing programme is underway.
- Stobswell regeneration has been supported with £340,000 of ERDF accessed in 2005 and bids for Hillcrest Housing Association advice and information centre and Fairbridge Young People were supported. An £80,000 ERDF bid to support environmental improvements was submitted in 2006.
- The Clean Close Company, a social enterprise supported by the department, has been established as part of the Stobswell area action plan, contributing to the regeneration of Stobswell and other areas by offering a close cleaning service for tenements. The department helped secure Futurebuilders funding for new office premises on Mains Loan that the company hopes to occupy by the end of 2006. The company is moving towards financial sustainability.
- The department has continued to support Ardler regeneration by chairing the economic sub-group. Job fairs were held in 2005 and 2006, funding was secured to investigate the establishment of an office furniture re-manufacturing enterprise and an extension of objective 2 funding was successfully supported.
- The Working for Families project, that aims to address the barriers that adults with families face in entering the labour market, assisted over 600 clients throughout 2005 and 2006. A full time coordinator was appointed and link workers were recruited to undertake outreach work. Funding of £1 million through to 2008 has been secured from the Scottish Executive.

Areas to be Progressed

- Marketing strategy for the Stobswell area.

Objective 1: Dundee as a Major Location for Employment and Investment

Progress Highlights

- Alliance Trust PLC merged its 2 investment trusts in 2006 to form the UK's largest Stock Exchange based generalist investment company with net assets exceeding £2.5 billion. It confirmed plans to relocate to new offices in the City.
- The Stoneridge Electronics facility at the City's Claverhouse Industrial Park was extended in September 2006. The company announced plans to grow the workforce by 30 taking total employment to over 100.
- A major £8 million development in West Marketgait received planning approval in 2006. The developers plan a mixed use development to include a hotel and offices.
- Abertay University received planning approval in 2006 for the development of student accommodation in Parker Street which on completion in 2008 will provide space for 500 students.
- Assistance was provided to NHS Tayside in developing bids for the location of Finance and Payroll Hubs in Dundee. Decision still awaited on these bids.
- A series of seminars have been held in conjunction with the Business Gateway to support the construction sector and a further series is planned for 2007.
- A new sponsor for the Talking Tayside Initiative has been secured. The initiative supports development of the contact centre industry.
- Communication and marketing techniques to attract inward investment have been enhanced with increasing use of e-newsletters and internet tools.
- A major inward investment was secured in 2006. US pharmaceutical company Wyeth, supported by Scottish Enterprise, are to establish the world's first research centre for Translational Medicine at Ninewells Hospital. This will result in 80 high value jobs coming to Dundee.
- Dundee Business Directory 2006/2007 published and distributed to over 4000 local businesses.

Areas to be Progressed

- Continue lobbying for further civil service jobs dispersal.

Objective 2: Dundee as a City of Knowledge, Innovation and Enterprise

Progress Highlights

- Growth of the life science sector has been boosted with the announcement of Wyeth's investment in the Centre for Translational Medicine.
- Annual Life Science conferences were organised in 2005 and 2006.
- The Dare to be Digital initiative was reviewed in 2005. Abertay University are to continue their support and expansion to other UK locations is planned for 2007.
- Dundee City Council is to continue support for the Interactive Tayside initiative in 2006/2007.
- Tayscreen initiative has been expanded to include Fife.
- A project coordinator has been appointed to coordinate Dundee's involvement in the Six Cities Festival of Design planned for 2007.
- The department is working with the Education department to develop an enterprise project targeted at the pre-NEET group and was actively involved in delivery of the Dare schools challenge.
- Meetings have been held with tertiary education providers to promote the enterprise agenda and the department was represented on the project team of Dundee University's Enterprise Gym project.
- Support has been given to Ardler Village Trust as they endeavour to establish a Green Business. Advice and support has been given to the Recycling Institute to assist development of the "Green Shoots" incubator which was launched in September 2006.
- The department continued to support development of the Recycling Institute and assisted it with the development of a number of funding bids.

Areas to be Progressed

- Marketing of Digital Media Sector
- Enterprise Strategy for Dundee

Objective 3: Dundee as a Vibrant Cultural, Leisure and Retail Centre

Progress Highlights

- The City attracted significant investment in its retail offer with Morrison's supermarket purchasing the former Linlathen High School site from the City Council. This will provide approximately 300 new jobs upon completion in 2007. The City Council has continued to support the development of Gallagher retail park. JJB Sports opened in 2005 whilst Borders Books, Mothercare and Next outlets opened in 2006 adding to the TK Maxx, Matalan and Brantano stores established in 2003/2004.
- A new £5 million 93 bedroom hotel complex at the bottom of Gellatly Street received planning approval in 2006.
- Gardyne's Land - the development of a 90 bed backpackers hostel will be completed by the summer of 2007.
- Review of the form and direction of the City of Discovery campaign, including the potential for better coordination of events, is underway and will report by March 2007.
- Support has been given to facilitate the appointment of a Creative Enterprise post based at DCA.
- Inaugural Dundee Retail Awards were held in June 2006.
- PR consultant was commissioned in 2005 to develop improved retail PR strategy. The City's retail product was promoted through Press, TV and Radio outlets.
- Dundee was short-listed for Shopping Location of the Year in the Scottish Retail Consortium's Retail Excellence Awards 2006.
- Development of the evening economy was progressed with introduction of the Best Bar None Scheme that awards recognition to pubs, clubs and bars that meet certain standards.
- East of Scotland Golf Alliance continued to promote the local golf tourism product.

Areas to be Progressed

- Development of an East of Scotland Tourism product (this has been affected by the restructuring of the Visit Scotland tourism network).
- Redevelopment of Greater Camperdown.
- Development of artist's workspaces.

Enabling Theme 1: Partnership and Networks

Progress Highlights

- The department is involved at all levels of the Dundee Partnership.
- The department is represented on a number of groups and external bodies including the Scottish Local Authority Economic Development Group, East of Scotland European Consortium (ESEC), INTERREG steering committee, Scottish Local Authority External Funding Group and East of Scotland Golf Alliance.

Enabling Theme 2: Labour Supply

Progress Highlights

- Local Employment Action Plan was completed in 2005. Publication of the Employability Framework has meant that this will be superseded by a new Employment Action Plan which will constitute Dundee's Workforce Plus and City Strategy plans. Action plan will be agreed with Department of Work and Pensions and Scottish Executive by January 2007.
- Worklessness reduction targets of 10% by 2007 and 30% by 2010 have been agreed with the Scottish Executive. Initiatives such as condition management for incapacity benefit recipients will be rolled out as part of the employability action plan to help achieve these targets.
- Local labour market analysis has been carried out to inform development of the draft Employment Action Plan.
- The Dundee Partnership Training and Employment Group has been replaced by a new Employability Group within the Partnership. The new group has a remit to develop a more coordinated approach with partners in relation to the employability agenda.
- Research has been carried out looking at workforce development initiatives in other local authority areas. Discussion has taken place with training providers to determine available funding and 2 SVQs (Administration and Management) have been identified as pertinent to most organisations.
- A Social Enterprise Partnership has been established. To date the partnership has completed a baseline study, action plan and monitoring plan.
- Talking Tayside, an initiative that supports development of the Contact Centre Industry, has developed over the plan period. The third annual awards ceremony was held in November 2005 and membership has grown to include the Pensions Service and Revenues and Customs.

Enabling Theme 3: Infrastructure

Progress Highlights

- Passenger Numbers at Dundee Airport exceeded 48,000 in financial year 2006/2006 and are on target to surpass this total in 2006/2007. Business Executive Traffic at Dundee Airport has reached record levels over the period. In 2005, the G8 conference and the Open Golf Championship at St Andrews boosted traffic.
- 15 Acres of services land at Claverhouse were provided in 2005/2006.
- Service programme continued at Dundee Technopole with further development land being provided in 2005/06.
- Service programme commenced at Linlathen industrial estate in 2005/2006.
- Negotiations are ongoing with potential operator/developer of a managed leisure facility in the Greater Camperdown area.
- A new recycling facility was opened at Baldovie by Waste Management Department.
- Shell unit provision feasibility has been commissioned. These could be adapted to a variety of final uses to meet the needs of potential inward investors.

Areas to be Progressed

- Lobbying regarding the local rail network (this will be progressed via new regional transport partnership TacTran).
- One city centre property has been identified as suitable for the development of managed business space. However, private sector provision in 2 locations has reduced demand. The position is therefore being monitored.

Enabling Theme 4: Image

Progress Highlights

- The first 2 phases of the City of Discovery campaign review have been completed. Funding for the final phase has been secured and should be completed by March 2007.
- An internal review of Interactive Tayside was conducted by SET in 2006. This has been used to review funding and engage new partners.
- A review of the Locate Dundee initiative was completed. Refocusing of activity with increased emphasis on use of electronic media is now underway.
- Destination Dundee will contribute to the final phase of the City of Discovery campaign review.

Areas to be Progressed

- Work with Scottish Development International to internationalise the opportunities for life science companies.

Enabling Theme 5: Resources

Progress Highlights

- Department contributed to stages 1 and 2 of the DTI consultation on the future Regional States Aids Map 2007-2013. Dundee successfully retained coverage, with 23 of the City's 29 wards eligible to receive assistance.
- European funding assistance was provided to over 40 projects in 2005 with approximately £4.5 million in structural funding awarded. In 2006, 8 projects have been assisted to date with £500,000 awarded or awaiting decision.
- Department facilitated an EC audit of Ardler Regeneration 2.
- Department has contributed to the consultation process regarding the new structural funds. A letter was submitted to the Scottish Executive suggesting that Dundee's Community Planning Partnership, using the employability framework agenda, may be an appropriate delivery vehicle for some aspects of the funds. Draft programme published by the Executive at the end of October 2006 indicates that CPPs are being considered as a viable delivery mechanism by the Executive.
- Presentations have been made regarding the likely scope of European funding post 2006. Broader based discussions across the Council and with other partners will take place once the new programme is finalised.

Areas to be Progressed

- Optimise Dundee's benefit under the forthcoming structural funds programme 2007-2013.

Conclusions

Economic Context

The plan was delivered against the background of a stable macro economic climate during 2005 and 2006.

- The world's major economies (including the US, Japan and China) enjoyed periods of strong and balanced growth. The outlook for 2007 is largely positive although a slowdown in the US housing market, high oil prices or current account imbalances could potentially threaten this stability.

- Growth across Euro area countries was more modest over the period with the French and German economies continuing to perform sluggishly by comparison with other major world economies. Growth levels, however, remained high amongst Europe's New Member States.

- Economic growth levels in both the UK and Scotland slowed in 2005 to 1.8%. Growth is forecast to pick up in 2006 and 2007 although the historical trend of Scotland underperforming the UK looks set to continue. Future economic expansion is expected to be driven primarily by the service sector. Both the UK and Scottish labour markets continued to perform strongly compared to European competitors. The UK exhibited the second highest employment rate in Europe and low rates of unemployment. Scotland's employment and economic activity rates exceeded UK levels whilst unemployment levels were broadly similar.

Headline Indicators

Analysis of the headline indicators suggests that generally the City continued to make good progress over the period:

- Total employment grew by 1.3% between 2005 and 2006 in line with Scottish employment growth forecasts for the period.

- Unemployment levels remained stable. Although Dundee continued to exhibit higher claimant levels than national benchmarks, its relative performance over the period was encouraging. The claimant rate increased by just 0.1 percentage points, in line with Scotland, and outperformed the UK where rates rose by 0.2 percentage points.

- Total numbers of long term unemployed fell over the period. The position relative to Scotland and the UK improved markedly between 2005 and 2006. In 2005, the percentage of long term claimants was 1.2 percentage points above the Scottish average and 1.4 percentage points above the UK average. By 2006, Dundee City was just 0.3 percentage points above the Scottish average and had moved to 0.5 percentage points below the UK.

- The proportion of claimant unemployed to job centre vacancies (u/v ratio) improved from 5.0 in 2005 to 4.2 in 2006. This remained higher than national benchmarks but represented a relative improvement because the position at UK and Scottish level remained static over the period.

- Economic activity rates in the City improved from 75.4% to 76.7%. This improvement effectively narrows the gap between Dundee and national averages.

- Progress was made towards meeting the City's worklessness targets. Over the year from February 2005 to February 2006 total recipients of workless benefits fell by 500. Compared to the baseline month of August 2004, the total fell by 800. This represented 46% of the targeted fall of 1,750 that the City is challenged to meet by August 2007. Given delays to commencement of the project, initial progress has been encouraging.

In some respects, however, progress has been less apparent:

- Whilst median weekly earnings rose from £409.1 in 2005 to £422.3 in 2006, this was not as steep as rises at Scottish and UK level. Average earnings moved from 0.1% above the Scottish median in 2005 to 2.2% below in 2006 and from 5.1% to 5.5% below the UK median. This may reflect relatively high levels of economic migration from overseas and in particular the A8 accession countries. Whilst this has been a positive trend in terms of meeting labour supply demands of employers, and has helped to stabilise the City's population, it may also have had a dampening effect in term of wage inflation.

- Levels of business start-up remained static and below UK and Scottish benchmarks. In 2006, VAT registration per 10,000 totalled 22 in Dundee compared to 28 across Scotland and 37 at UK level. The number of start ups assisted by the Business Gateway over the period has also fallen.

Key Influences

A number of key issues have been identified that have either had a bearing on the plan's delivery or have influenced the delivery context. These are:

- Development of the Employability Agenda - Dundee has been targeted for financial assistance by the Scottish Executive and Department of Work and Pensions to help reduce the number of workless people and address the issue of NEET amongst young people. This will be a key agenda for the department going forward.

- City / Metropolitan Regions - within the context of the evolving Scottish Executive strategy on city / metropolitan regions, Dundee's position as a strong regional centre will need to be reinforced. It will be important to ensure that the position of the City is recognised in any future strategic arrangements.

- Civil Service Jobs Dispersal - Dundee has successfully made 9 shortlists but has secured only 2 projects. There is a continued need to state the City's case for further civil service jobs.

- Resource Issues - Changes in the availability of funding have affected both the Council and other partners, and have had implications for some areas of partnership activity.

- European Structural Funds - draft ERDF and ESF programmes have been published. A new budget which is 40% - 45% of the current will result in a number of changes to both the scope and administration arrangements for the new programmes.

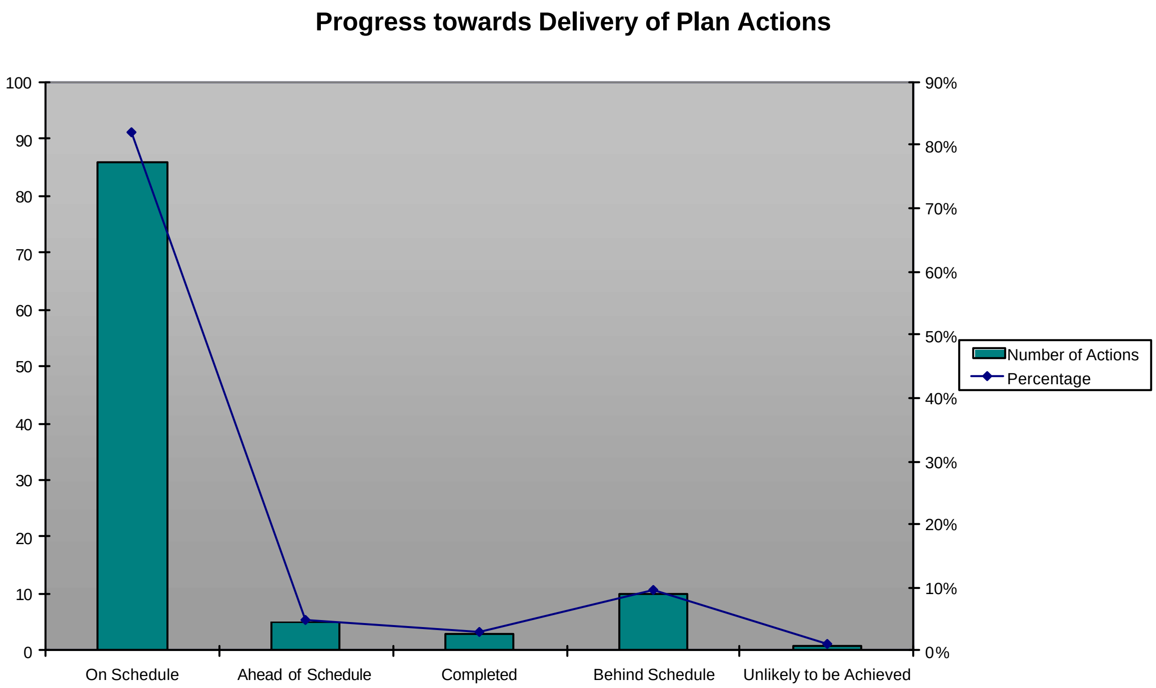
- Social Enterprise - resources are increasingly being targeted towards development of this sector.

- Migrant Labour - as previously highlighted the area has experienced high level of migrant labour, particularly from the A8 accession countries. The implications for the labour market have so far been largely positive. This however requires to be monitored alongside the wider impact on public services.

Progress towards Plan Delivery

Analysis of progress in relation to action areas identified in the plan suggests that the delivery programme is largely on schedule. This is summarised in Figure 5 below.

Figure 5



- 82% of actions are On Schedule
- 5% are Ahead of Schedule
- 3% are Completed.