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## **SOUTH OF SCOTLAND ENTERPRISE AGENCY – UPDATE**

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### **Report by Executive Director EXECUTIVE COMMITTEE**

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**19 September 2017**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 This report updates Members on the progress of the Scottish Government's Enterprise and Skills Review. The report highlights the announcement of a new South of Scotland Enterprise Agency and the forthcoming steps in its development.**
- 1.2 As part of the outcomes from Phase 2 of the Enterprise and Skills Review, the Scottish Government has now made a crucial commitment to create a new South of Scotland Enterprise Agency covering Dumfries & Galloway and the Scottish Borders.
- 1.3 The opportunity to establish a new South of Scotland Enterprise Agency is a once in a generation opportunity that has the potential to improve the level of investment in economic growth, enterprise, skills and innovation across the Scottish Borders and the South of Scotland.
- 1.4 While subject to Parliamentary process, the aim is to ensure that the new Agency is fully operational by 1 April 2020. In view of the time required to complete the statutory processes, Scottish Government Ministers have given a commitment that an interim approach will be put in place by the end of 2017 to ensure that the South of Scotland benefits from a new approach to economic development as soon as possible.
- 1.5 The two years of interim arrangements offers the opportunity to work towards a clear economic plan for the South of Scotland, understand how best to deliver improvements through the drivers of productivity; to carry out some early projects; and to address inclusive growth factors. It is anticipated that the interim period will enable different approaches to be tested in the region and, importantly, that it allows crucial building blocks to be put in place so that the new agency operates effectively from inception.

#### **2 RECOMMENDATIONS**

- 2.1 **I recommend that the Executive Committee:-**
  - (a) Agrees to strongly support the proposal by the Scottish Government to establish a new South of Scotland Enterprise Agency, recognising the positive potential it will have for the Scottish Borders and the South of Scotland;**
  - (b) Agrees to strongly support the proposal by the Scottish Government to establish Interim Arrangements by the end of**

**2017;**

- (c) Agrees that the Council should place a high priority on this work and continue to engage with the Scottish Government and other stakeholders in order to develop detailed proposals for South of Scotland Enterprise Agency and the Interim Arrangement; and**
- (d) Agrees to receive a future report as proposals develop further.**

### **3 BACKGROUND**

- 3.1 The Scottish Government has been undertaking an Enterprise and Skills Review. This is described as an end-to-end review to ensure that all of the Scottish Government's public agencies are delivering the joined-up support that our young people, universities, colleges, training providers, businesses and the workforce need. The Review is focused on Scottish Enterprise, Skills Development Scotland, Highlands & Islands Enterprise and Scottish Funding Council. Phase 1 of the review, announced in November 2016, and included the pledge to develop a new 'vehicle' for enterprise and skills services in the South of Scotland.
- 3.2 The Council has been working with its partners in the South of Scotland Alliance (Dumfries & Galloway Council and Scottish Enterprise) to influence the Scottish Government to ensure that the new 'vehicle' is set up in the most appropriate way to deliver economic benefits for the whole of the South of Scotland.

### **4 ENTERPRISE & SKILLS REVIEW PROGRESS**

- 4.1 Phase 2 of the Enterprise & Skills Review was formed around nine different work-streams, one of which was focused on the proposal for a South of Scotland Enterprise and Skills Vehicle. The work-streams were chaired by senior Scottish Government officials and attended by representatives of the national Agencies under review, as well as other stakeholders. Council officers from Scottish Borders Council and Dumfries & Galloway Council were directly involved in the South of Scotland Vehicle work stream.
- 4.2 Through the first half of 2017 there were four official meetings of the South of Scotland Vehicle work-stream. A range of consultation workshops were also conducted with businesses in Scottish Borders and Dumfries & Galloway. A workshop was also held with other stakeholders, including representatives from the local Colleges and Higher Education establishments. The positions of the Councils were set out in reports to Scottish Borders and Dumfries & Galloway Councils in December 2016 and March 2017.
- 4.3 As part of the outcomes from Phase 2 of the Enterprise and Skills Review announced at the end of June 2017, the Scottish Government has made a crucial commitment to create a new South of Scotland Enterprise Agency covering Dumfries & Galloway and the Scottish Borders. This will require primary legislation and the Scottish Government intends to introduce a Bill into the Scottish Parliament in 2018.
- 4.4 While subject to Parliamentary process, this should ensure that the new agency should be fully operational by 1 April 2020. Recognising the statutory timetable, Scottish Government Ministers have given a commitment that an interim approach will be put into place later in 2017 to ensure that the South of Scotland benefits from a new approach.
- 4.5 At its meeting on 22 December 2016, the Council agreed that the guiding principles which should underpin the establishment of the new enterprise and skills 'vehicle' for the South of Scotland be developed under the themes of: Drive Our Economy Forward; Sustaining and Growing Our Communities; and Capitalising On Our People and Resources. A similar position was also agreed by Dumfries & Galloway Council at that time.
- 4.6 The Scottish Government's vision the new South of Scotland Enterprise Agency is for a new organisation operating in the South of Scotland that

will drive inclusive growth, increase competitiveness and tackle inequality in the area through:

- Maximising the area's contribution to Scotland's inclusive growth, supporting a diverse and resilient economy
- Sustaining and growing communities – building and strengthening communities with joined up economic and community support
- Capitalising on people and resources – developing skills, promoting assets and resources and maximising the impact of investment in the area.

- 4.7 This is a very welcome outcome from the review process as these priorities closely mirror those agreed by Scottish Borders and Dumfries & Galloway Councils in December 2016 (see para 4.5). The Scottish Government is committed to ensuring that the approach is tailored to the area's challenges and opportunities, recognising its distinctiveness and not excluding it from other relevant national support. The Government also recognises that to be successful the new Agency will require a long term commitment from partners to work together to address the deep rooted challenges of the area and to ensure that all can meet their potential.

## **5 DEVELOPING THE NEW AGENCY**

- 5.1 The ambition for the new South of Scotland Enterprise Agency (SOSEA) is that it will respond to the economic needs and opportunities of the South of Scotland, supporting inclusive growth across the region. With a clear strategic vision, developed with local partner and business input, it will take forward a range of activities that drive forward the economy, sustain and grow communities and capitalise on people and resources, promoting fair work and inclusive growth in all its work.
- 5.2 The proposed new South of Scotland Enterprise Agency is expected to have its own board, similar to that of Scottish Enterprise, Skills Development Scotland and Highlands & Islands Enterprise. The chair of that Board will represent the South of Scotland on a new National Strategic Board.
- 5.3 The new National Strategic Board will become operational in October 2017. It is to be chaired by Nora Senior, chair of UK regions for global PR firm Weber Shandwick. Initially, the National Strategic Board will be focused on four key work-streams: Outlining the strategic plan; Developing the analytical unit; Governance proposals; and South of Scotland Enterprise Agency – interim approach.
- 5.4 During Phase 2, Council officers worked with Scottish Government, partners and stakeholders to scope the range of activity that needed to take place in the South of Scotland to deliver the transformational growth that is urgently required. This identified the breadth of activities that could contribute to the prosperity of the area and the range of partners that needed to be involved in delivery. Further detailed collaborative work is under way to refine those potential activities and to develop the role of SOSEA around what it needs to deliver directly and where its role is one of influence. In due course, this will help inform and shape the legislation setting out SOSEA's remit and powers. This is clearly an ongoing piece of work that is of strategic significance in ensuring SOSEA's role is as well developed as is possible.

## **6 DEVELOPING THE INTERIM ARRANGEMENTS**

- 6.1 As noted in para 4.4, the Scottish Government intends to put in place Interim Arrangements by the end of 2017. These are intended to ensure that positive progress is made in developing the South of Scotland economy even before the new South of Scotland Enterprise Agency is established. There are a number of ways in which these interim arrangements may be managed, possibly a new partnership; an interim company; or through an existing organisation. The most likely governance model would seem to be through a new partnership, although Scottish Government has not yet made a decision on this.
- 6.2 Council officers have been working through a Scottish Government core working group to ensure that the ambitions expressed by the Councils and South of Scotland Alliance in earlier phases of the Enterprise and Skills review are delivered during the interim phase, as well as in the fully established new agency. It is clear that there is strong support from Scottish Government for working to ensure that the region benefits from a new approach to economic development during this interim period. At present the core working group includes: SE, HIE, SDS, SFC, VisitScotland, COSLA, Scottish Borders Council, Dumfries & Galloway Council, Borders College, Dumfries & Galloway College and Scottish Council Development & Industry (SCDI).
- 6.3 In order to deliver the full ambition and range of activity, SOSEA will need to be fully operational. However, the two years of interim arrangements offers the opportunity to work towards a clear economic plan for the South of Scotland, understand how best to deliver improvements through the drivers of productivity; and to address inclusive growth factors. It is expected that the interim period will enable different approaches to be tested in the region and, importantly, that it allows crucial building blocks to be put in place so that the new agency operates effectively from inception. Setting the right priorities for activity during the interim period is vital as the interim arrangements will not offer all of the same benefits as the agency eventually will. Successful interim arrangements will ensure the best possible start and opportunity for the new Agency.
- 6.4 Council officers expect the interim arrangements to be ambitious and to deliver much more than just better alignment of existing services. The interim arrangements offer the opportunity to put in place new approaches that are more tailored to the needs of the area. These should bring together economic and community support. A clear plan will require to be developed that establishes strategic direction, building on the existing Economic Strategies in Scottish Borders and Dumfries & Galloway, and to expand the South of Scotland Competitiveness Strategy which was approved by the South of Scotland Alliance in 2016. The plan will have to be consistent with the national 'Strategic Plan' when that is put in place.

### **Resources to Deliver Interim Arrangements**

- 6.5 The Scottish Government's Enterprise & Skills Review makes a commitment to putting in place a lead individual as part of the interim arrangements to be instrumental in driving forward delivery of the interim approach, but also to play a role in shaping plans for the new agency to ensure that the agency is operational by 2020. This is a key role and will need to be well supported by a team from all organisations. This role will provide a key link between the interim arrangements and work to establish the agency,

ensuring they are complementary and consistent.

- 6.6 Officers understand that discussions about the financial resources necessary to support robust and effective interim arrangements are under way. There is a need to ensure that current investment and budgets are identified and aligned to deliver the best impact. Scottish Government will expect key partners to ensure that the resources they are investing in economic development in the region are used to support the agreed priorities being delivered as part of the interim arrangements. Council resources will require to be committed to this.

### **Stakeholder Engagement**

- 6.7 There continues to be engagement with a range of stakeholders. The Scottish Government has brought together a group of officers from the core stakeholders to develop the propositions for the Interim Arrangements. A workshop session has also been run by Scottish Government involving a wide range of University and College representatives, as well as business organisations.
- 6.8 The South of Scotland Enterprise Agency will take cognisance of, and work closely with, local authorities and enterprise bodies in neighbouring areas to maximise economic growth opportunities. This would include City Region Deal and Borderlands Inclusive Growth Initiative, and the new South of Scotland Agency would be ideally placed to lead delivery of relevant projects arising from this work. It will be important that the Borderlands proposition and City Region Deal are also aligned with the interim arrangements to ensure maximum benefit for the area.

## **7 IMPLICATIONS**

### **7.1 Financial**

The proposals discussed in this report are at a very early stage of development. A preliminary financial assessment of the implications of the proposals will need to be undertaken once more information is available. Detailed work on this will be a priority for officers once the Scottish Government has agreed its favoured solution. However, it is important to re-emphasise that the ambition to transform the economy of the South of Scotland will not be achieved without a significant uplift in resources and investment.

### **7.2 Risk and Mitigations**

There is a reputational risk to the Council of not ensuring that it strongly influences the development and establishment of the new South of Scotland Enterprise Agency. The opportunity to establish a new South of Scotland Enterprise Agency is a once in a generation opportunity that has the potential to improve the level of investment in economic growth, enterprise, skills and innovation. The Council is mitigating this risk by working closely with Dumfries & Galloway Council, Scottish Enterprise, Skills Development Scotland and Scottish Government officials to develop ambitious, game-changing proposals for the Interim Arrangements and the new South of Scotland Enterprise Agency.

### **7.3 Equalities**

It is anticipated that an Equalities Impact Assessment will be required in relation to the establishment of the new Agency in order to ensure that there are no adverse impacts due to race, disability, gender, age, sexual

orientation or religious/belief arising. It is expected that the new Agency will have inclusive economic growth as one of its key aims.

#### **7.4 Acting Sustainably**

The new Agency will have the aims of sustainable and inclusive economic growth at its core. By helping to encourage and secure additional economic activity and growth it will contribute to the sustainability of the local economy and communities.

#### **7.5 Carbon Management**

There are no direct implications for the Council's carbon emissions from this proposal. The new Agency is likely to have the transition to a Low Carbon Economy as one of its key objectives, and the Council will have a role, along with other local organisations and businesses, in contributing to that objective.

#### **7.6 Rural Proofing**

Rural Proofing is not specifically required as the proposals do not relate to an amended Council policy or strategy. However, the proposed South of Scotland Enterprise Agency has the potential to have a positive impact on the rural area. It would be sensible if the Scottish Government used some form of rural proofing methodology to ensure that the needs of rural areas are appropriately addressed during the establishment of the new Agency.

#### **7.7 Changes to Scheme of Administration or Scheme of Delegation**

There are no changes to be made to the Scheme of Administration or Scheme of Delegation arising from this report.

### **8 CONSULTATION**

- 8.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR and the Clerk to the Council have been consulted and their comments have been included in the report.

#### **Approved by**

**Rob Dickson**  
**Executive Director**

**Signature .....**

#### **Author(s)**

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#### **Background Papers:**

**Previous Minute Reference:** Scottish Borders Council, 7 March 2017

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Bryan McGrath can also give information on other language translations as well as providing additional copies.

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