

## **APPENDIX 2**

### **Enterprise & Skills Review, July 2016**

#### **Scottish Borders Council Response – Draft until 25-8-2016**

Scottish Borders Council works closely at a strategic and operational level with two of the national agencies under review, Scottish Enterprise (SE) and Skills Development Scotland (SDS). Both of these bodies are involved in the Scottish Borders Community Planning Partnership as statutory partners. The Council has experience of working with these national agencies in providing business support, physical regeneration, economic development, and skills and employability projects. There is limited interaction with the Scottish Funding Council (SFC), but relevant comments have been offered.

A call for evidence was issued by the Scottish Government on the 15 July 2016 with a deadline of the 15 August 2016. There are seven relevant questions in the Call for the Council to respond to:

#### **Question 4. What do you see as the strengths and weaknesses in the current approach?**

##### **a) Strengths:**

- i. Scottish Enterprise (SE) provides a valuable range of financial and non-financial products to business. The scale of resources available to SE means that significant impact can be achieved where investments are made in businesses or infrastructure.
- ii. SE teams bring a significant level of knowledge, experience and business sector expertise to the activities that they are delivering.
- iii. The actions being undertaken in partnership with Scottish Enterprise through the South of Scotland Alliance are a good example of the effectiveness of joint working at a local level.
- iv. The lead role that Scottish Enterprise has taken in developing and delivering actions in support of the Borders Railway Economic Blueprint has also been a recent positive strength.
- v. With regards to Skills Development Scotland (SDS), the current principle of co-decision making on the Employability Fund between SDS and Local Government is welcome.
- vi. The fact that SDS has frontline staff based in, and focused on, the Scottish Borders is also viewed as a strength. This ensures that local expertise is available and helps to share local knowledge and intelligence more effectively.

- vii. The local Partnership for Continuing Action for Employment (PACE) response has been led by SDS. The flexible and responsive approach to business closures, and the associated redundancies, that has been taken by the local SDS office has been excellent, providing a strong example of positive partnership working.
- viii. Recent work by SDS to develop Regional Skills Assessments has been a positive step towards a better shared understanding of labour markets, such as the Scottish Borders, and future skills needs at the local level.

**b) Weaknesses:**

- i. From the Council's perspective, there are two fundamental weaknesses in the Scottish Enterprise and Skills Development Scotland approaches. The first weakness is that the organisations do not have a strong approach to regional equity. This manifests itself in a clear lack of investment and support for rural areas like the South of Scotland. The remit and strategic priorities of the existing Agencies do not effectively facilitate regional equity.
- ii. A powerful example of this is the disparity between the resources and broader remit that Highlands & Islands Enterprise delivers in the north of Scotland, and the level of intervention delivered by Scottish Enterprise in the South of Scotland. It is noted that Scottish Enterprise's budget in 2015/16 of approximately £280m is used to deliver economic development across a population of approximately 4.8m people; whereas Highlands & Islands Enterprise delivers across a population of roughly 450,000, with a budget of £96m. This equates to approximate spend per head of £58 in the SE area and £213 in the HIE area.
- iii. This resource allocation highlights the issue of regional equity. The South of Scotland has a rurality comparable to large areas of the Highlands and Islands. It has equivalent challenges of low wages and access to employment issues. It has a lower GDP per head than the Highlands and Islands. But crucially, Scottish Enterprise does not have the remit, resources or strategic focus to adequately address these economic challenges in the South of Scotland. Also, it does not currently have the capacity and skills base to deliver an 'inclusive growth' approach which includes a social development focus.
- iv. The second fundamental weakness is that SE and SDS are delivering nationally designed products at a national and local level. Where there is no flexibility, it is difficult to tailor these services to different local needs. This demonstrates the limitations of a 'one-size fits all' approach to economic development. Scottish Borders Council believes this is a particular challenge in rural areas like the South of Scotland.
- v. For instance, SE uses account managers from all over the country to support businesses in the Scottish Borders. Although they have excellent sector knowledge, these account managers are not necessarily aware of local strategies and priorities and often, understandably, do not have good links into local authorities and other local partners. This leads to a

less joined up service for key local businesses and also means that local relationships with these businesses are not as strong and well developed as they could be.

- vi. Experience in the Scottish Borders has been that the SE focus on specific sectors has meant that fewer businesses are supported or fewer projects are taken forward. Feedback from local businesses also points to additional hurdles in the support system. A good example is that currently there is a double application process for Business Gateway clients, who need to apply and be accepted onto Growth Pipeline, before being allowed to apply for various SE products. Fundamentally, the pipeline is not providing the seamless experience for businesses that they expect and need.
- vii. There has also been a lack of priority given to major investments in strategic business infrastructure since 2008. At the instigation of John Swinney MSP, the South of Scotland Alliance developed the South of Scotland Rural Regional Development Programme to provide a focus for investment. The response to this has provided some positive progress.
- viii. A key weakness in relation to Skills Development Scotland is the annual contracting for the Employability Fund which does not encourage strategic thinking and provision, is inefficient, and leads to a lack of stability. A more sensible approach would be to develop a 3 or 5 year programme.
- ix. There is some confusion about whether SDS provides an 'all age' service or whether it is solely focused on youth. This lack of clarity makes it difficult to plan effectively at a local level.
- x. There is limited direct engagement between the Scottish Funding Council (SFC) and the Council. The Council is concerned that SFC funding decisions do not adequately reflect the specific local circumstances of rural areas like the South of Scotland. For instance, a higher proportion of young people in the Scottish Borders attend courses at FE College, highlighting the importance of an appropriate scale of resources being available to the Regional College.

**Question 5. What needs to change in the current system of support to make it simple and clear, and help us deliver Scotland's vision?**

- a) Inclusive growth and regional equity are the key Scottish Government aims that are not being facilitated by the current structures. In order to successfully progress towards these aims, there needs to be effective working relationships between national and local partners. The new structure and system needs to enable 'on-the-ground, joined up action'.
- b) Any changes to the Agencies should encompass the need for regional equity and an enhanced ability to support rural areas of need, such as the South of Scotland. This may be achieved through a stronger regional approach with the existing Agencies, or through the establishment of a specific organisation to tackle these challenges. The remit, resources and capacity of Highlands & Islands Enterprise has demonstrated an effective approach for delivering

strategic economic development in a rural area. A revised remit for Scottish Enterprise should include these key aspects so that it can deliver more effectively in rural areas. It is considered that the social development element of HIE's remit is particularly important in rural areas like the South of Scotland.

- c) The additional duties contained in the Community Empowerment Act require Community Planning partners to reduce inequalities and address the inclusion agenda. This requires new thinking and new approaches from the national agencies, as well as a strong response from local government and other local partners. This is important context for economic development and for this Review. It would be opportune for the Review to make recommendations in relation to this.
- d) There is a need for skills planning that has a Scottish-wide perspective but that also informs the regional and local levels, where businesses can be more readily engaged in the debate. This should build on the good work that SDS has undertaken in relation to Regional Skills Assessments.
- e) There needs to be a stronger link between the strategy and resources applied to skills and funding decisions for Further Education and Higher Education.
- f) Streamline products / support available for businesses from enterprise agencies, aligning this more closely with Business Gateway and other local authority provision.
- g) Ensure stronger collaboration and simplify the introduction of appropriate information sharing protocols, especially between Business Gateway and SE and Education services, SDS and Regional Colleges.
- h) Any national approach to products and services needs to include some level of flexibility to allow responsive local delivery.
- i) A more integrated and holistic approach to devolved employability services should provide opportunities for a better customer journey and improved outcomes.

**Question 6. What are the right: roles; services; skills; and behaviours needed from our agencies to support this transformation?**

- a) There is a need for policy developments and investment of public money by Scottish Government and the Agencies under review to be properly aligned with Scotland's Economic Strategy, its dual aims of tackling inequality and increasing competitiveness, and the 4 I's of: Inclusive Growth, Innovation, Internationalisation and Investment.
- b) A key outcome of the review should be that there is appropriate clarity of roles for the Agency(s) operating after the review. A national overview is important in ensuring that Scotland's economy is supported to grow, and there should be a logical focus on strategic issues from the national organisation(s). However, in order to tackle inequality and deliver inclusive

growth the national organisation(s) will need to work more closely with Local Authorities, Business Gateway and other local partners.

- c) Preparation of Regional Skills Assessments and Regional Skills Plans should be the responsibility of any National Skills Agency with a remit to ensure that there is a coherent national, regional and local overview of existing and future skills requirements. This will be strengthened by additional input from businesses through the Developing the Young Workforce industry-led groups.
- d) There should be a refreshed approach to how universities and colleges are funded to ensure that there is transparency on outcomes achieved and how this relates to skills funding that is currently provided through SDS. It would make sense for all national skills related strategy and expenditure to be controlled through one organisation. The needs of rural businesses and rural areas should be a strategic theme for that Agency.
- e) Strategically, all strands of national innovation should sit with Scottish Enterprise to ensure stronger links with sectoral development and business support.

**Question 7. How might we ensure this step-change reaches and benefits all of Scotland, building on regional and local strengths?**

- a) The crucial issue is to ensure that users receive the best possible service across all agencies and that it is appropriate to their needs and geographic location, and therefore helps improve local economic outcomes.
- b) In the South of Scotland, and Scottish Borders in particular, there have been long running issues in terms of the differences between the remits of Scottish Enterprise and Highlands & Islands Enterprise, and whether the SE remit is properly suited to addressing economic development issues in other parts of Rural Scotland. SE does not currently have the capacity and skills base to deliver an 'inclusive growth' approach which includes a social development focus. Local Authorities, with their strong connections to communities, could advise on this, but cannot deliver it.
- c) Any changes to the Agencies should encompass the need for regional equity and an enhanced ability to support rural areas of need, such as the South of Scotland. This may be achieved through a stronger regional approach with the existing Agencies, or through the establishment of a specific organisation to tackle these challenges. The remit, resources and capacity of Highlands & Islands Enterprise has demonstrated an effective approach for delivering strategic economic development in a rural area. A revised remit for Scottish Enterprise should include these key aspects so that it can deliver more effectively in rural areas. It is considered that the social development element of HIE's remit is particularly important in rural areas like the South of Scotland. This is not about recreating Local Enterprise Companies, it is about ensuring that the newly reformed national Agencies have an appropriate remit and focus that supports rural areas.
- d) Whichever way the new Agency(s) are structured, there needs to be a more effective input to Community Planning Partnerships. In order to be

successful the new structure and system needs to enable 'on-the-ground, joined up action'.

- e) The SE Regional Advisory Board (RAB) has not been a particularly effective partnership. The South of Scotland Economic Forum, established to replace the South of Scotland RAB, has not provided the engagement and governance vehicle that was required. The Council would support their review and replacement by more appropriate forums for local and national representatives to work together. In order to ensure any new governance bodies' ongoing success, they will need stronger influencing and decision making powers than the current system has provided. They should also provide the vehicle to hold the Agency(s) to account and ensure that local and regional needs are actually being addressed. There needs to be consultation and careful consideration given to the regional boundaries used in future.
- f) There is a need for strategic funding decisions for Further Education and Higher Education that take into account the needs of the economies of urban and rural areas.

**Question 8. How would we know if the system is working better?**

- a) Positive feedback from businesses finding it easier to navigate support systems.
- b) More businesses accessing more products.
- c) Stronger local Community Planning Partnerships delivering effective interventions at a local level.
- d) Clear progress by the national Agency(s) on tackling regional equity and inequalities.
- e) A structure in place that can respond to downturns as well as to growth opportunities.
- f) More students moving from Higher/Further education to suitable employment.
- g) More economically viable communities and places.

**Question 9. How might public resources be deployed most effectively to match priorities, deliver value for money, and flow through the minimum number of levels and organisations to the user?**

- a) The Council would like to see the inclusive growth agenda better reflected in the work and remits of the agencies currently under review. Specifically, SE should bring its strategic focus further in-line with the inclusive growth agenda, and thereby improve its participation in Community Planning Partnerships.

- b) In addition the Council believes that there is a need for local government to have a greater influence and input into the strategic documents (particularly business plans) of the Agencies , in order that these can truly meet the needs of local communities, and promote inclusive growth. Currently some limited engagement takes place between local government and SE in relation to their Business Plan, however the ability of local government to influence this process is limited. There is no engagement on this issue with the other Agencies under review.
- c) At present account managers are located all over Scotland for our local account managed companies. As noted, this is not an effective way of building relationships with businesses. The relationship with companies should be at the local level.

**Question 10. Is there any other published evidence, or good practice, which you would particularly highlight that you wish us to take into account during the review?**

**Evidence:**

- a) Audit Scotland, July 2016, Supporting Scotland’s Economic Growth
- b) Scottish Affairs Committee, March 2015, Our Borderlands – Our Future : Final Report
- c) South of Scotland Alliance, June 2014, South of Scotland Rural Regional Economic Development Programme
- d) South of Scotland Alliance, July 2015, NUTS2 Consultation Response
- e) South of Scotland Alliance, June 2016, South of Scotland Competitiveness Strategy 2016-2023
- f) Scottish Government and Partners, November 2014, Borders Railway Economic Blueprint
- g) Scottish Borders Council, December 2015, Borders Railway Blueprint Infographic

**Good Practice Example:**

- a) **A South of Scotland perspective:** It is clear from the case put together for Southern Scotland NUTS 2 (Evidence ‘d’ South of Scotland Alliance, July 2015) that such areas face major socio-economic challenges with regards to an ageing population, out-migration of young people, the fragility of towns and rural areas, low wages, high dependency on micro and small businesses, and a low GDP per head. This means that significant economic interventions will be required to stimulate and build on the economic opportunities and potential of these areas.

- b) The ultimate aim of NUTS 2 Southern Scotland case was to open up new European and other funding streams. The Scottish Government supported the re-designation of Southern Scotland as a NUTS2 area, in order to better recognise the Socio-Economic challenges listed above. It is considered that agencies such as Scottish Enterprise, Skills Development Scotland and the Scottish Funding Council need to rebalance their resources and priorities to recognise the extent of these challenges and work in partnership with local authorities, businesses and local communities to tackle them.
- c) The South of Scotland Alliance, of which Scottish Enterprise is a member, has been working to address these issues by demonstrating to Scottish Government that the rural economy of the South of Scotland has projects and economic proposals of scale to be prioritised by Scottish Enterprise. To this end, the South of Scotland Alliance developed the South of Scotland Rural Regional Economic Development Programme (Evidence 'c' South of Scotland Alliance, June 2014) as a practical response to enable national and local partners to work together to take these priorities forward and to develop projects and programmes of scale to achieve national economic benefits. The Alliance has also been doing a great deal of work on supporting digital connectivity and addressing barriers to training and employment in the South of Scotland.
- d) The South of Scotland Alliance has also recently produced a refreshed South of Scotland Competitiveness Strategy (Evidence 'e' South of Scotland Alliance, June 2016). This recognises that Innovation, Leadership and Internationalisation are at the core of Scottish Enterprise's strategy and business activity. However, these strategic themes have often been difficult to take forward effectively in rural areas. Within the Strategy, the South of Scotland Alliance recognises the importance of these themes and seeks to develop more effective approaches for delivering them in rural areas such as the South of Scotland.
- e) Another approach that has been successful has been the Borders Railway Economic Blueprint (Evidence 'f' Scottish Government and Partners, November 2014). This programme has been developed to take advantage of the economic opportunities around the opening of the Borders Railway. It involves a funding mechanism through which the Scottish Government, Scottish Enterprise, Visit Scotland, Transport Scotland and the Scottish Borders, Midlothian, and Edinburgh City Councils can coordinate/ collaborate on activity to maximise the economic growth potential of the Borders Railway. The lead role that SE has taken in developing and delivering actions in support of the Borders Railway Economic Blueprint has been a recent positive strength.
- f) Much more work needs to be done to address the economic challenges and building on the work of the South of Scotland Alliance and the Borders Railway Blueprint. In the case of the Scottish Borders there is a need to build on the current structures for promoting enterprise and economic development, which are operated by Scottish Borders Council, Scottish Enterprise and the Community Planning Partnership. This involves taking forward the Scottish Borders Economic Strategy 2023 and ensuring that the projects of scale contained within the South of Scotland Rural Regional Economic Development Programme and the South of Scotland Competitiveness Strategy are implemented, and that further projects are



developed in due course. Also through the Programme, there is a need to develop stronger approaches to encouraging innovation, leadership and internationalisation.

- g) There is also a need to give greater support to community economic development in rural areas outside the Highlands and Islands. The Scottish Government has recognised the importance of this issue in the South of Scotland. It is understood work is ongoing to fulfil its Manifesto commitment to begin 'working with key stakeholders to design and develop Rural Infrastructure Plans which address key economic and social needs. A pilot Rural Infrastructure Plan could be developed for Dumfries and Galloway and the Scottish Borders to create sustainable economic, social and community development. The outcome of this work will be important in finding a way forward to tackle this issue.

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