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

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

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**6 November 2018**

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

- 1.1 This report updates Members on the progress being made by the South of Scotland Economic Partnership in consulting across the South of Scotland and delivering its Work Plan. The report also provides an update on the development of the new South of Scotland Enterprise Agency.**
- 1.2 In order to prepare for the South of Scotland Enterprise Agency, the Scottish Government has set up the South of Scotland Economic Partnership (SoSEP) as an interim solution to ensure that the South of Scotland benefits from a new approach to economic development as soon as possible. The South of Scotland Enterprise Bill was introduced in the Scottish Parliament on 24 October 2018 with the aim of ensuring that the new Agency is operational by 1 April 2020, subject to Parliamentary approval.
- 1.3 The Partnership has been working towards fulfilling its three purposes: to develop and deliver a clear and prioritised work programme, piloting new approaches to benefit the South; delivering a strong programme of engagement with stakeholders across the South of Scotland, to influence and inform the proposals for the new Agency; and finally influencing the design of the new Agency, offering views to the Scottish Government on options for the structure and functions of the new Agency, ensuring the Agency is responsive to, and informed by, the needs of the region. Good progress has been made across all of these activities.

#### **2 RECOMMENDATIONS**

- 2.1 I recommend that the Executive Committee:-**
  - (a) Notes the progress made in securing funding for key South of Scotland and Scottish Borders projects, as set out in Appendix 1.**
  - (b) Welcomes the findings of the Scottish Government's South of Scotland Enterprise Agency consultation, as set out in Appendix 2.**
  - (c) Agrees that officers continue to work jointly with Dumfries & Galloway Council, and other partners, to deliver key actions in the SoSEP Work Plan.**
  - (d) Agrees that Cllr Rowley, Executive Member for Business and Economic Development, should represent the Council at Parliamentary Committees relating to the South of Scotland Enterprise Bill, as appropriate.**

- (e) Agrees to invite Professor Russel Griggs, Chair of the South of Scotland Economic Partnership, to update the Committee in January 2019.**
- (f) Agrees to receive further reports on the South of Scotland Economic Partnership and the new Agency as work progresses.**

### **3 BACKGROUND**

- 3.1 As part of the Enterprise and Skills Review, the Scottish Government has committed to creating a new South of Scotland Enterprise Agency covering the Scottish Borders and Dumfries and Galloway. It will offer a once in a generation opportunity with the potential to significantly improve the level of investment in economic growth, enterprise, skills and innovation across the South of Scotland. It is intended that this new Agency will operate in a similar way to Highlands and Islands Enterprise and that it will closely align its work with Scottish Enterprise, Skills Development Scotland, Scottish Funding Council and VisitScotland.
- 3.2 The Scottish Government's Programme for Government 2018/19 confirmed that the legislation to establish the South of Scotland Enterprise Agency would be introduced to Parliament this year, and the South of Scotland Enterprise Bill was introduced in the Scottish Parliament on 24 October 2018. Whilst subject to the necessary Scottish Parliamentary process, the aim is to ensure that the new Agency is operational by 1 April 2020.
- 3.3 In view of the time required to complete the statutory processes, the Scottish Government has set up the South of Scotland Economic Partnership (SoSEP) as an interim solution to ensure that the South of Scotland benefits from a new approach to economic development as soon as possible. SoSEP involves representatives from business, the third sector, further and higher education, as well as key public sector partners. It is chaired by Professor Russel Griggs.

### **4 PROGRESS WITH INTERIM ARRANGEMENTS**

- 4.1 The Government established SoSEP to take a new approach to inclusive growth in the short term and to prepare the ground for the new South of Scotland Enterprise Agency. The Memorandum of Understanding underpinning SoSEP identifies the purpose of the Partnership as being threefold.
- 4.2 Firstly, it will develop and deliver a clear and prioritised work programme, aligning existing activity, driving progress and piloting new approaches to benefit the South. Secondly, it will deliver a strong programme of engagement with stakeholders across the South of Scotland, including the private sector, to ensure that they influence the work programme and can inform the proposals for the new Agency. Finally, it will influence the design of the new Agency, offering views to the Scottish Government on options for the structure and functions of the new Agency, assessing what has worked and engaging with stakeholders to ensure the Agency is responsive to, and informed by, the needs of the area.
- 4.3 A key benefit of this interim work is to allow the partners to bring forward and test new ideas, programmes and projects which will be fed into the work to establish the new Agency once the parliamentary process is completed. However, the ability to deliver these new areas of activity is dependent on the level of resources that partners, including Scottish Government, are able to make available. To ensure progress, the Scottish Government has made £10M available in the 2018/19 financial year to support the work of the South of Scotland Economic Partnership.

## 5 INITIAL WORK PLAN

- 5.1 In addressing the first purpose the Partnership agreed a prioritised Work Plan at its meeting on 27 March 2018. The Work Plan is structured around eight themes which are:
1. Governance
  2. Communities
  3. Food Production, Forestry and Land Management (changed from Agriculture & Forestry by the Theme Group)
  4. Education and Skills
  5. Key Sectors
  6. Business Support
  7. Infrastructure
  8. Arts & Culture
- 5.2 These themes are also the basis for a series of Theme Groups which were agreed by the Partnership's Board. These groups are undertaking work to establish what the future priorities and forms of delivery might be in each theme area.
- 5.3 The Partnership has also sought proposals from across the South of Scotland on how the £10M allocated for 2018/19 might best be used. The proposals that have come forward have been wide ranging in their scope and in the scale of funding being sought.
- 5.4 The Partnership has established a process and clear criteria for assessing and assisting in the development of the proposals to a point where a recommendation can be made to the Scottish Government on whether or not to fund a proposal. Appendix 1 summarises the projects supported and the financial position in 2018/19 at 15 October 2018. The work plan will continue to be developed and projects will be added or removed through the project business case approval process.
- 5.5 In the Scottish Borders, the Centre for Textiles Excellence that has been approved for Hawick will support the local textiles industry, helping businesses develop young people with the right skills for the sector, and helping people of all ages to retrain to enter the sector. Newcastleton and District Community Trust has been supported to undertake a feasibility study on the commercial and economic viability of a community-owned bunkhouse at Tweedenhead, Newcastleton, which has the potential to have a positive economic impact in that very rural area. The College's South of Scotland Skills and Learning Network project will also have a positive impact in the Scottish Borders, improving access to further education and skills development. Match-funding for community projects in Peebles, Newlands and Tweedsmuir has also been delivered, helping to support the Scottish Government's 'Strengthening Communities' programme.
- 5.6 The combination of the agreed Work Plan, the work of the Theme Groups and the funding proposals, is establishing a wide area of interest for SoSEP. When linked to the outcome of the stakeholder events (see below), this will allow a significant contribution to be made to the purpose of the Partnership which includes working to influence the design of the new Agency and helping the Scottish Government as it takes forward its delivery.

## 6 STAKEHOLDER EVENTS AND CONSULTATION

- 6.1 As part of addressing the third purpose of the Partnership, to deliver a strong programme of engagement with stakeholders across the South of Scotland, a series of engagement events were led by SoSEP across the region. The events were split into evening events aimed at community groups and morning events/business breakfasts aimed at businesses. The events addressed three issues – to inform the approach to the development of the new Enterprise Agency (aligned to a parallel consultation on the legislation undertaken by the Scottish Government), development of SoSEP's Work Plan, and development of the Borderlands Inclusive Growth Deal.
- 6.2 Twenty six engagement events took place across the South of Scotland during the period from April to June 2018. An additional event was arranged for the National Economic Forum on 18 June 2018. Overall, 536 stakeholders attended the events. An additional 146 SoSEP Board members and members of the public bodies of SoSEP attended across the 26 events, making 682 attendees in total. The events were led by the Chair and Lead Officer for SoSEP and organised by the Southern Uplands Partnership (SUP). Scottish Government and Scotland Office officials were also in attendance to hear the discussions and points raised.
- 6.3 A formal report recording and assessing the outcome of the events has been published by SoSEP and is publicly available at <http://www.sosep.co.uk/stakeholder.html> This is a valuable supplement to the analysis of the Scottish Government's written consultation that has also recently been published. A copy of the Scottish Government's consultation analysis is attached at Appendix 2. The key messages were raised across both Dumfries and Galloway and the Scottish Borders, indicating that there is a shared need across both local authority areas and a clear rationale for the South of Scotland Enterprise Agency.
- 6.4 The Scottish Government's ambitions for the South of Scotland were endorsed by 87% of respondents. In the comments, respondents highlighted the importance of inclusive growth and increased productivity; good employment opportunities and wages; the importance of sustainable approaches; and the need to diversify the economy. In addition, the need for economic regeneration, infrastructure development, and an improved East-West road and rail network were emphasised.
- 6.5 Respondents outlined a wide range of economic challenges that they would like to see the Agency address, including: low productivity in the South of Scotland; Brexit and the loss of European funding; the demographic challenge of an ageing population and young people leaving the area; as well as the lack of affordable housing, further and higher education opportunities and a skilled workforce.
- 6.6 Respondents highlighted a range of economic strengths in the South of Scotland that they would like the Agency to build upon, including: the quality of life in the South of Scotland; its history, cultural heritage and natural capital; and a range of sectors that are important to the South of Scotland, including primary industries, the creative sector and tourism.

- 6.7 Stakeholders were enthusiastic and keen for further engagement and an on-going dialogue so it is clear that ongoing stakeholder engagement will be essential for the success of the Partnership's work. In autumn 2018 there will be engagement with young people and further engagement with relevant organisations and businesses across the region. This builds on the commitment to repeat the stakeholder events in April to June 2019 that has been made by the Chair of SoSEP.

## **7 INFLUENCING THE DESIGN OF THE NEW AGENCY**

- 7.1 The new Agency will have a key role in driving inclusive growth, increasing productivity and tackling inequality. It is a major opportunity to do things differently in the South of Scotland, to focus on the needs of place, helping the area to thrive supporting businesses and communities. The legislation required to establish the new Agency was introduced in the Scottish Parliament on 24 October 2018 which, with appropriate Parliamentary approval, should ensure that the Agency is operational at the beginning of financial year 2020/21.
- 7.2 There are a number of stages in the legislative process for the Bill. It has been laid in the Scottish Parliament to begin Stage 1, where a lead committee will be appointed to scrutinise the Bill. The South of Scotland Enterprise Bill is to be scrutinised by the Rural Economy and Connectivity Committee and they will look at the overall principles of the Bill. During Stage 1, the Committee will take evidence. Some representatives from the Council may be called to give evidence and it is recommended that Cllr Rowley, Executive Member for Business and Economic Development, should take a lead role in that case. A vote in Parliament will conclude Stage 1, to agree the overall principles. At Stage 2, line by line scrutiny is carried out, and it is open to Member amendments. Stage 3 involves further continued scrutiny, before a final vote is held in the Parliament to pass the final Bill
- 7.3 All of the consultation and engagement activity has contributed to the Partnership now being able to identify emerging themes and priorities that can be used to help influence the design of the new Agency. With this in mind, the Partnership met the Cabinet Secretary for the Rural Economy on 23 August 2018. This afforded an opportunity to discuss directly with Mr Ewing MSP the key themes and priorities that the Partnership believes should be addressed by the Government as the legislation is introduced into the Parliament and the plans for the Agency progress.
- 7.4 These themes and priorities included the need to focus on continued support for the work of SoSEP as it moves into the next financial year; the need to raise the profile of the South of Scotland; the importance of a continued focus on 'Place'; the need to respond to the requirements of young people in the South, particularly in relation to housing; the importance of Digital Connectivity and ensuring it is effectively utilised by business; and finally on transport in ensuring value for money and improving the frequency of services. Some work is underway to scope out the transport need across the two Councils.

- 7.5 It is expected that the Cabinet Secretary will be writing to the public sector partners shortly to set the context and direction of travel for SoSEP in 2019/20, and to ensure continuation of the positive engagement which all partners have demonstrated so far. SoSEP will shortly begin working on next year's work plan, which will heavily feature work on shaping the new Agency. Around 40 enquiries have been received by SoSEP for funding of projects going into next year.
- 7.6 In view of the significant amount of activity under way around SoSEP and the new Agency, officers consider that it would be appropriate to invite Professor Russel Griggs to attend the next economic development themed Executive Committee meeting at the end of January 2019. This would allow him to provide an update directly to Members on progress and provide an opportunity for a wider discussion on the new Agency.

## **8 IMPLICATIONS**

### **8.1 Financial**

- (a) The proposals discussed in this report are at an early stage of development. Officers are continuing to work on the financial implications of the proposals in order to develop viable, fundable projects. 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. It is clear from the South of Scotland Enterprise Bill that has been introduced in the Scottish Parliament that the Scottish Government wants to ensure that the new Agency has the right resources to tackle the challenges in the regional economy.
- (b) There is an ongoing need to ensure that current investment and budgets are identified and aligned to deliver the best impact as part of the Council's partnership contribution. It is expected that key partners, including the Councils, ensure that the resources they are investing in economic development in the region are used to support the agreed priorities being delivered through SoSEP. Existing Council resources will continue to be committed to this alongside the resources of Dumfries & Galloway Council and the other partners. It is recommended that officers continue to work with SoSEP partners to develop and deliver projects that have a positive economic impact on the Scottish Borders and the South of Scotland.

### **8.2 Risk and Mitigations**

Partnership working will always present challenges, however, the Council and partners involved in the South of Scotland Economic Partnership are committed to working together to ensure its success. As discussed throughout the main body of the report there are actions in place to mitigate risks to the achievement of the Partnership's strategic objectives and those of the Initial Work Plan. These mitigations include regular engagement with key stakeholders and meetings between key partners to ensure that activities are aligned. Risk registers will also be developed and appropriately managed to support the Initial Work Plan.

**8.3 Equalities**

It is anticipated that Equalities Impact Assessments will be required in relation to the activities undertaken by the South of Scotland Economic Partnership in order to ensure that there are no adverse impacts due to race, disability, gender, age, sexual orientation or religious/belief arising. Importantly, SoSEP has inclusive economic growth and 'Fair Work' as underpinning themes.

**8.4 Acting Sustainably**

The South of Scotland Economic Partnership has 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 across the region.

**8.5 Carbon Management**

There are no direct implications for the Council's carbon emissions from this proposal.

**8.6 Rural Proofing**

Rural Proofing is not specifically required as the proposals do not relate to an amended Council policy or strategy. However, the South of Scotland Economic Partnership has the potential to have a positive impact on rural areas.

**8.7 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.

**9 CONSULTATION**

9.1 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 are being consulted and their comments will be incorporated into the final report.

**Approved by**

**Rob Dickson  
Executive Director**

**Signature .....**

**Author(s)**

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**Background Papers:**

**Previous Minute Reference:** Scottish Borders Council, 31 May2018

**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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