ARGYLL AND BUTE COUNCIL	**ENVIRONMENT, DEVELOPMENT AND INFRASTRUCTURE COMMITTEE**
DEVELOPMENT AND INFRASTRUCTURE SERVICES	**19th January 2017**

UPDATE ON THE SCOTTISH GOVERNMENT'S ENTERPRISE AND SKILLS REVIEW

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to provide the Environment, Development and Infrastructure Committee (EDI) with a summary of the Scottish Government's Phase 1 Enterprise and Skills Review report, issued on the 25th of October 2016, and provide an indication of the next steps for the process, including clear principles of engagement for Argyll and Bute Council.

1.2 On the 25th of May the First Minister announced a review of enterprise and skills support in Scotland with a focus on the existing enterprise and skills agencies, namely Scottish Enterprise (SE), Highlands and Islands Enterprise (HIE), Skills Development Scotland (SDS) and the Scottish Funding Council (SFC). A "Call for Evidence" process was carried out between 15th July and 15th August. Further to a report to the EDI Committee on the 11th of August 2016, a council response to the "Call for Evidence" was subsequently submitted to the Scottish Government on Friday 12th August 2016.

1.3 The overall remit of the review was to make a step-change in enterprise and skills support to help progress the Scottish Government's ambition for Scotland to rank among the top quartile of OECD countries in terms of productivity, equality, wellbeing and sustainability, enabled by a simpler and more coherent enterprise and skills support system. That said, the review has changed in its remit from being a review of the agencies themselves to a review of the offering from these agencies.

1.4 The key themes that have emerged from this review are as follows:
- the degree of alignment between enterprise and skills support services, and how to measure impact;
- the optimal fit between national and local priorities;
- the need for a 'no wrong door' approach to simplify service and funding streams;
- how best to augment support for internationalisation in a changing context;
- how to improve Scotland's innovation performance; and
- how Scotland improves skills provision and utilisation.

1.5 On the back of these themes, a series of 10 actions have been identified from the Phase 1 report, with two in particular which are likely to be of most interest to the EDI Committee. These are:
- "To bring greater integration and focus to the delivery of our enterprise and skills support to businesses and users of the skills system, we will create a new Scotland wide statutory board to co-ordinate the activities of HIE and SE, including SDI, SDS and the SFC."
- "Recognising the different social, economic and community development challenges facing the Highlands and Islands, we will maintain dedicated support which is locally based, managed and directed by HIE."

1.6 The second phase of the Skills and Enterprise Review, was initiated by the Scottish Government on 1st November 2016. It is anticipated that the Phase 2 report will be concluded and published prior to the local government elections in May 2017. The Scottish Government is seeking further input from local authorities during Phase 2. It is recognised that local authorities play a crucial role in the enterprise, skills and economic development agenda, particularly at a local level and from a service user perspective. Therefore, it is important that Argyll and Bute Council continues to be fully engaged, along with organisations such as SOLACE[1], COSLA[2] and SLAED[3], and contributes to the second phase of this review.

1.7 Members are asked to:
- Note the content of this paper.
- Agree to the following principles, based on the comments made in the initial 'Call for Evidence' for input to the second phase of the review:
  o declutter the economic development landscape so that Argyll and Bute is treated as one region supported by either HIE or SE, in alignment with Business Gateway activity, and by SDS and SFC across all four of its administrative areas;
  o seek clarification from the Scottish Government on what the regional approach in terms of Regional Partnerships will entail in terms of collaborative working and the centralisation agenda with the creation of the new national statutory board;
  o emphasise the importance of the need to de-centralise the inclusive growth agenda with power and resources being placed at the local government level in order to effectively use and share local intelligence with appropriate agencies to tackle inequalities and promote inclusive growth for all of Argyll and Bute's remote, remote rural and island communities; and
  o seek greater clarity on the roles and responsibilities of local government in terms of risk, innovation (including implementation of the innovation action plan, focusing on business growth) and the retention of sufficient capacity at the local level in order to make the required 'step-change' in the economy.

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[1] SOLACE: Society of Local Authority Chief Executives and Senior Managers.
[2] COSLA: Convention of Scottish Local Authorities.
[3] SLAED: Scottish Local Authorities Economic Development Group.

- Provide any additional comments and agree to delegate to the Executive Director of Development and Infrastructure to undertake appropriate engagement with the Scottish Government, SOLACE, COSLA and SLAED during the second phase of the Enterprise and Skills Review.

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DEVELOPMENT AND INFRASTRUCTURE SERVICES

ENVIRONMENT, DEVELOPMENT AND INFRASTRUCTURE COMMITTEE

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UPDATE ON THE SCOTTISH GOVERNMENT'S ENTERPRISE AND SKILLS REVIEW

2.0   INTRODUCTION

2.1   The purpose of this report is to provide the Environment, Development and Infrastructure Committee (EDI) with a summary of the Scottish Government's Phase 1 Enterprise and Skills Review report, issued on the 25th of October 2016, and provide an indication of the next steps for the process, including clear principles of engagement for Argyll and Bute Council..

3.0   RECOMMENDATIONS

3.1   Members are asked to:
- Note the content of this paper.
- Agree to the following principles, based on the comments made in the initial 'Call for Evidence' for input to the second phase of the review:
  o declutter the economic development landscape so that Argyll and Bute is treated as one region supported by either HIE or SE, in alignment with Business Gateway activity, and by SDS and SFC across all four of its administrative areas;
  o seek clarification from the Scottish Government on what the regional approach in terms of Regional Partnerships will entail in terms of collaborative working and the centralisation agenda with the creation of the new national statutory board;
  o emphasise the importance of the need to de-centralise the inclusive growth agenda with power and resources being placed at the local government level in order to effectively use and share local intelligence with appropriate agencies to tackle inequalities and promote inclusive growth for all of Argyll and Bute's remote, remote rural and island communities; and
  o seek greater clarity on the roles and responsibilities of local government in terms of risk, innovation (including implementation of the innovation action plan, focusing on business growth) and the retention of sufficient capacity at the local level in order to make the required 'step-change' in the economy.
- Provide any additional comments and agree to delegate to the Executive Director of Development and Infrastructure to undertake appropriate engagement with the Scottish Government, SOLACE, COSLA and SLAED during the second phase of the Enterprise and Skills Review.

4.0 DETAIL

4.1 On the 25th of May the First Minister announced a review of enterprise and skills support in Scotland. A "Call for Evidence" process was carried out between 15th July and 15th August 2016. All local authorities, the business sector, higher education establishments, STUC, SLAED, COSLA and the enterprise and skills agencies were invited to comment on a range of pre-set questions.

4.2 The overall remit of the review was to:
- make a step-change in enterprise and skills support to help progress the Scottish Government's ambition for Scotland to rank among the top quartile of Organisation for Economic Cooperation and Development (OECD) countries in terms of productivity, equality, wellbeing and sustainability;
- to be driven by evidence, to listen to the views of users, and put forward proposals that respond to their needs; and
- to ensure a simpler and more coherent enterprise and skills support system.

That said, the review has changed in its remit from being a review of the agencies themselves to a review of the offering from these agencies.

4.3 The following key themes have emerged from this review are as follows:
- the degree of alignment between enterprise and skills support services, and how to measure impact;
- the optimal fit between national and local priorities;
- the need for a 'no wrong door' approach to simplify service and funding streams;
- how best to augment support for internationalisation in a changing context;
- how to improve Scotland's innovation performance; and
- how Scotland improves skills provision and utilisation.

4.4 From these themes, a series of 10 actions have been identified from the Phase 1 report as outlined in full in **Appendix 1**. The actions are grouped together under the headings of:
- One Scotland – Stronger Governance of a Coherent System;
- National and Local Enterprise and Skills Delivery;
- An Open and International Economy;
- Innovation; and
- Skills Provision and Economic Success.

4.5 Two actions in particular which are likely to be of most interest to the EDI Committee. These are:

One Scotland – Stronger Governance of a Coherent System
- "To bring greater integration and focus to the delivery of our enterprise and skills support to businesses and users of the skills system, we will create a new Scotland wide statutory board to co-ordinate the activities of HIE and SE, including SDI, SDS and the SFC."

National and Local Enterprise and Skills Delivery

- "Recognising the different social, economic and community development challenges facing the Highlands and Islands, we will maintain dedicated support which is locally based, managed and directed by HIE."

Stronger Governance Issues

4.6 While in general the work undertaken to date is welcomed and there is support for the Scottish Government's intention for a simpler and more coherent enterprise and skills services, the findings of the Phase 1 report do pose a series of questions. In particular, clarification is required on the operation and functions of the new national board and how these proposed changes will simplify and declutter the experience of users and businesses.

4.7 It is acknowledged that the creation of a Scotland wide statutory board will enable better national oversight and appropriate national strategic decision making. It may assist in mitigating the current disconnect between the services offered by HIE in the majority of Argyll and Bute and the services offered by SE in the Helensburgh and Lomond area. Similarly it may help to co-ordinate the work of SDS and SFC which follows the same geographic model as the enterprise agencies. In short, there is a requirement for Argyll and Bute to be treated as one region at the national level.

4.8 Although the second action of the review is to support the new board through using existing data and robust evaluation of enterprise and skills support activity and impact, there are still concerns that this approach will lead to centralisation and a loss of local focus.

National and Local Enterprise and Skills Delivery

4.9 At noted in the third action from the Phase 1 report outlined in **Appendix 1**, *"Recognising the different social, economic and community development challenges facing the Highlands and Islands, we will maintain dedicated support which is locally based, managed and directed by HIE"*. This reflects the comments made by officers in the "Call for Evidence" who agreed that a good working relationship has developed with HIE and their role as a regional enterprise agency was valued. However, the seemingly protective nature of account managed companies by HIE and SE has been a barrier to economic growth. Account managed companies form an integral part of the communities across Argyll and Bute and local government is well place to develop a joined up and meaningful local relationship with them, particularly in terms of inclusive growth.

4.10 In addition there is currently an issue with regard to the suggestion to no longer have a discrete HIE Board at the local Highlands and Islands level (to be replaced by the new statutory board for Scotland). The implications of this change in board structure for the Highlands and Islands area, aligned with the local government input to be captured during Phase 2, will require further consideration.

4.11 There is also an action under this heading to create a new vehicle to meet the enterprise and skills needs of the South of Scotland. This will be accountable to the new Scotland-wide statutory board alongside the other enterprise and skills bodies.

4.12 The remaining actions for the Scottish Government (see **Appendix 1**) resulting from the Phase 1 report are summarised below qualified as appropriate with relevant comments, some of which align to those made by Argyll and Bute Council during the initial "Call for Evidence".

An Open and International Economy

4.13 The proposal to set up a new Board of Trade, the appointment of Trade Envoys, the establishment of an Innovation and Investment Hub in Berlin, doubling the presence of Scottish Development International (SDI) across Europe and to consider establishing SDI as an agency in its own right under the new Scotland wide statutory board seems to be contrary to the need to declutter the landscape for businesses.

Innovation

4.14 It is noted that the Scottish Government has yet to publish its innovation action plan which was due to be published by the end of November 2016. Clarification from the Scottish Government was sought on this issue. The Scottish Government's Head of Innovation Strategy and Life Sciences Directorate for Economic Development advised on the 9th January 2017 that the innovation action plan will be published soon, but no date could be provided at that time.

Skills Provision and Economic Success

4.15 Better align the functions of learning and skills agencies. A comprehensive review of the Learning Journey focused on sustained employment and a review on the effectiveness of investment to ensure the right balance of provision across age groups and sectors is welcome. SDS is a very complex organisation, with a plethora of staff with unclear roles. This review may identify whether or not SDS is truly an all age agency or youth centred. In addition, this should enable better engagement with SFC, which has improved over recent months.

Next Steps: Phase 2 of the Review

4.16 On the 1st of November 2016 the Scottish Government initiated Phase 2 of the review. This phase will focus on the implementation of findings and next steps. Specifically the next steps focus on Regional Partnerships and Strengthening Front-line Support.

4.17 With regard to Regional Partnerships it is noted that the Scottish Government will work with COSLA, local authorities and their business and local partners to build on existing and emerging opportunities throughout Scotland and to optimise regional economic impact while remaining responsive to meeting local needs.

4.18 Strengthening Front-line Support relates to further work required with the agencies to develop the right digital approach and a new system of enterprise and skills support.

4.19 The Enterprise and Skills Review was a key topic of discussion at the joint SLAED/EDAS[4] Conference in Aberdeen on 1st and 2nd December 2016, attended by the Council's Economic Growth Manager. At the SLAED Executive Group meeting on 7th December, it was agreed that SLAED would submit a further officer response early in 2017, with a focus on the 10 actions set out by the Scottish Government in the Phase 1 report and feedback from the discussions at the SLAED/EDAS Conference.

4.20 With regard to the 10 actions discussed above from the Phase 1 report, during the second phase of this review there are a number of principles where clarity if sought from the Scottish Government for Argyll and Bute Council, as follows:

- declutter the economic development landscape for the Argyll and Bute area so that Argyll and Bute is treated as one region supported by either HIE or SE, in alignment with Business Gateway activity, and by SDS and SFC across all four of its administrative areas. Specific issues that require greater clarity are as follows :
  o how will a new system of enterprise support in order to address the cluttered landscape impinge on the current local authority Business Gateway service? As noted in the Phase 1 report, instead of 'no wrong door', it might be better to consider a 'one door' approach under the Business Gateway banner;
  o what would this mean for Business Gateway delivery in terms of alignment with the new national board and South of Scotland vehicles? For example, all agencies could use the same CRM system that would give a single view of the customer from which to effectively deliver support; and
  o how will the establishment of a new statutory board, a South of Scotland body and SDI as a separate agency assist with decluttering the landscape?

- seek clarification from the Scottish Government on what exactly the Regional Partnerships will entail in terms of collaborative working and the centralisation agenda with the creation of the new national statutory board. In particular:
  o how will Regional Partnerships be created (e.g. around city/island deal models, travel to work areas or other functional geographies such as the Highlands and Islands)?;

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[4] EDAS: Economic Development Association Scotland.

- how will these partnerships (however constituted) relate to the new national statutory board structure and have the necessary flexibility to be responsive to **local** economic development, enterprise and skills issues?; and
- how will these Regional Partnerships, within the wider public service reform agenda, relate to other public bodies/parts of the public sector such as the new South of Scotland body?

- emphasise the importance of the need to de-centralise the inclusive growth agenda with power and resources being placed at the local government level in order to effectively use and share local intelligence with appropriate agencies to tackle inequalities and promote inclusive growth for all of Argyll and Bute's remote, remote rural and island communities; and

- seek greater clarity on the roles and responsibilities of local government in terms of risk, innovation (including implementation of the innovation action plan, focusing on business growth) and the retention of sufficient capacity at the local level in order to make the required 'step-change' in the economy.

4.21 It is anticipated that the Phase 2 report will be published prior to the local authority elections in May 2017.

5.0 CONCLUSION

5.1 Although the Scottish Government's intention for a simpler and more coherent enterprise and skills services is welcome, overall the report on Phase 1 has posed more questions than answers.

5.2 It is important that Argyll and Bute Council continues to be fully engaged and contributes to the second phase of this review along with organisations such as SOLACE, COSLA and SLAED. In particular, it is proposed that the council will focus on seeking clarity about the operations and functions of the new structures, such as the new statutory board, the new South of Scotland body and Regional Partnerships to ensure Argyll and Bute is not placed at an economic disadvantage.

6.0 IMPLICATIONS

6.1 Policy The results of the Enterprise and Skills Review should assist Argyll and Bute in achieving the overarching aim of the Local Outcome Improvement Plan, "*Argyll and Bute's economic success is built on a growing population*", the Council's Strategic Economic Development Action Plan (EDAP) and area-based EDAPs.

6.2 Financial None.

6.3 Legal None.

6.4	HR	None.
6.5	Equalities	The review should take cognisance of the key role that local authorities play with regard to the delivery of inclusive growth one of the main objectives of Scotland's Economic Strategy.
6.6	Risk	None.
6.7	Customer Services	None.

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9th January 2017

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Appendix 1: Ten Actions from the Enterprise and Skills Report on Phase 1

One Scotland – Stronger Governance of a Coherent System
1) To bring greater integration and focus to the delivery of our enterprise and skills support to businesses and users of the skills system, we will create a new Scotland-wide statutory board to co-ordinate the activities of HIE and SE, including SDI, SDS and the SFC.
2) To support the new board, we will review existing data and evaluation functions to further align our enterprise and skills support and to ensure robust evaluation of activity and impact.

National and Local Enterprise and Skills Delivery
3) Recognising the different social, economic and community development challenges facing the Highlands and Islands, we will maintain dedicated support which is locally based, managed and directed by HIE.
4) Recognising the unique challenges faced in the region, we will create a new vehicle to meet the enterprise and skills needs of the South of Scotland. This will be accountable to the new Scotland-wide statutory board alongside our other enterprise and skills bodies.

An Open and International Economy
5) In order to bring greater coherence as we step up the pace of delivery of our Trade and Investment Strategy through activity such as the establishment of a new Board of Trade, the appointment of Trade Envoys, the establishment of an Innovation and Investment Hub in Berlin, and the doubling of SDIs presence across Europe, we will ensure a much stronger focus on co-ordinating international activity across the public and academic sectors to deliver maximum benefit for Scotland.
6) We will consider the role, position and governance of SDI and its possible establishment as a distinct and separate organisation under the new Scotland-wide statutory board delivering a broader range of international activities and support.

Innovation
7) We will review, streamline and simplify the innovation support ecosystem, connecting programmes, funding and delivery mechanisms. We will ensure that more businesses in Scotland increase their level of innovation to realise their major growth ambitions by implementing an innovation action plan that will be published by end of November.

Skills Provision and Economic Success
8) We will align the functions of our learning and skills agencies to better join up how education services and training are planned and provided to learners and employers.
9) We will conduct a comprehensive review of the Learning Journey focused on sustained employment, with significantly enhanced use of labour market information in skills planning at its heart.
10) We will review the effectiveness of our investment in learning and skills to ensure we have the right balance of provision across age groups and sectors and to maximise our contribution to productivity and inclusive growth.