

The Highland Council

**Planning, Development and Infrastructure Committee
2 November 2016**

Agenda Item	
Report No	PDI 77/16

Scottish Government Enterprise and Skills Review

Report by Director of Development and Infrastructure

Summary

The purpose of this report is to advise members of outcomes of Phase 1 of the Scottish Government's Enterprise and Skills Review and to highlight the proposals for implementation in phase 2.

1. Background

- 1.1 On 26 May, 2016 the First Minister announced that the Scottish Government would carry out an 'end-to-end' review of enterprise and skills services to ensure they were delivering the joined-up support that young people, universities, colleges, training providers, businesses and the workforce needed in order to deliver sustainable economic growth across Scotland.
- 1.2 The Scottish Government's Economic Strategy sets an ambition to be in the top quartile of OECD countries for productivity and wellbeing. This strategy is based around the two mutually supportive goals of increasing competitiveness and tackling inequality. The strategy sets out four priority areas for supporting sustainable economic growth:
- investing in people and infrastructure in a sustainable way;
 - fostering a culture of innovation and research and development;
 - promoting inclusive growth & creating opportunity through a fair and inclusive jobs market and regional cohesion; and
 - promoting Scotland on the international stage to boost trade and investment, influence and networks.
- 1.3 Achieving this objective will require a transformational step change in performance across a range of outcomes. The economy is central to achieving this ambition and this review is designed to bring forward recommendations on how the country and maximise its key economic interventions to achieve these goals.
- 1.4 The Council homologated a response to the consultation on Scottish Government's Enterprise and Skills Review consultation at the meeting of the Planning Development and Infrastructure Committee held on 17 August, 2016.

A copy of this response is attached at **appendix 1**.

2. Outcomes from Enterprise and Skills Review – Phase 1

2.1 The Scottish Government published their Enterprise and Skills Review on 25 October, 2016 which sets out the conclusions of phase 1 of the review and sets out the framework for the shape of enterprise and skills services in the future. A copy of this report is available at <http://www.gov.scot/Resource/0050/00508466.pdf> and a summary of the outcomes is detailed below.

2.2 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, the Scottish Government will create a new Scotland wide statutory board to co-ordinate the activities of HIE and Scottish Enterprise, Scottish Development International, Skills Development Scotland and Scottish Funding Council.

To support the new board, the Scottish Government will review existing data and evaluation functions to further align its enterprise and skills support and to ensure robust evaluation of activity and impact.

2.3 National and Local Enterprise and Skills Delivery

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

Recognising the unique challenges faced in the region, the Scottish Government 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 their other enterprise and skills bodies.

2.4 An Open and International Economy

The Scottish Government aims to bring greater coherence as it steps up the pace of delivery of their 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. The Scottish Government will ensure a much stronger focus on co-ordinating international activity across the public and academic sectors to deliver maximum benefit for Scotland.

The Scottish Government 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.

2.5 Innovation

The Scottish Government will review, streamline and simplify the innovation support ecosystem, connecting programmes, funding and delivery mechanisms. They 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.

2.6 Skills Provision and Economic Success

The Scottish Government will align the functions of their learning and skills agencies to better join up how education services and training are planned and provided to learners and employers.

They 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.

They will review the effectiveness of their investment in learning and skills to ensure they have the right balance of provision across age groups and sectors and to maximise their contribution to productivity and inclusive growth.

3. **Next Steps**

3.1 Phase 2 will undertake the implementation of the Scottish Government's phase 1 decisions. This will include working with the agencies and other partners to strengthen the enterprise and skills system by:

- consulting on the strategic board, the best distribution of functions between the agencies underneath it, and the associated legislative requirements;
- taking forward plans for the development of a common analytical approach;
- developing a number of common targets aligned with Scotland's National Performance Framework and Economic Strategy to help measure performance;
- exploring how best to create the new vehicle to meet the needs of the South of Scotland, including clarifying its boundaries and the locally-based support it will deliver; and
- taking forward our decisions across internationalisation, innovation and the learning journey.

3.2 In addition, the Scottish Government will work with COSLA, local authorities and their business and other local partners to build on existing and emerging opportunities throughout Scotland and to optimise regional economic impact while remaining responsive to meeting local needs. This is with the aim of building on assets to harness regional strengths to stimulate local economic development and to build inclusive growth.

3.3 In phase 2, they will also undertake further work with their agencies to develop the right digital approach and a new system of enterprise and skills support.

On digital, evidence from the review highlighted the critical dependency of the country's global economic competitiveness on the right digital approach. Stakeholders identified various key contributory factors: connectivity; skills; business capability to operate digitally; and the development of digital public services. They highlighted the need:

- for good connectivity across all parts of the country;
- to increase general digital skills levels across all parts of our population, including those in work;
- for increased specialist skills to be available to ensure that businesses can design modern, internationally competitive services;
- for more businesses to be fully digital, applying digital technologies in core business beyond website design to reach and service customers, respond to feedback, improve back-office support, use analytics, and develop new types of services;
- for a wider digital support offering to more businesses; and
- public services to be available digitally and be user-focused with 'no wrong door' access.

3.4 In response, the Scottish Government will seek to implement with agencies over the coming months:

- a step-change in digital skills provision at both general and specialist level;
- wider support for more businesses to increase their appetite and skills to operate digitally so that every business can be a digital business; and
- better communication of the Scottish Government's infrastructure plans, and ongoing examination of how best to accelerate improved coverage.

3.5 On enterprise support, evidence from the review suggested the system had broadly identified the right strategic framework and considered areas where operational delivery might be improved. It was suggested that:

- it may be reasonable to seek certain attributes or contributions from companies seeking and receiving public sector support;
- 'high growth' company support might be better and more clearly targeted and should be time-limited in nature, with clearer entry and exit points;
- more companies might benefit from advice and support, with a wider core offering around increasing productivity, innovation, digital support and exporting;
- targeting should be reviewed and focused on increasing impact;
- in many cases, the right advice and support for businesses might offer greater impact than grant; and
- there are opportunities to involve businesses more effectively in the design of services and some aspects of delivery.

3.6 In response, during phase 2 the Scottish Government will look at the best way to take forward:

- improving the delivery of enterprise support with better targeting, and clearer entry and exit points;
- a wider and more coherent offering of core support to more businesses. This will cover innovation, productivity, digital and exporting, and may include improved web-based delivery and one-to-many engagement;
- increased focus on ensuring the right advice and support services over grant provision;
- closer engagement with the private sector to shape how the public sector can meet business needs; and
- the right areas for the private sector to engage in providing services.

4. Implications

4.1 Resource, Legal, Equality, Climate Change/Carbon Clever, Risk, and Gaelic: There are no implications associated with this report at this stage.

4.2 Rural: The Council will wish to retain a strong rural development focus within Highlands and Islands Enterprise, and the proposed new strategic board.

Recommendations

Members are asked to note the outcomes of Phase 1 of the Scottish Government's Enterprise and Skills Review, the proposals for implementation in phase 2 and to consider the implications for the Highlands.

Designation: Director of Development and Infrastructure

Date: 1 November 2016

Author: Gordon Morrison

Appendix 1

Karl Reilly
Head of Coordination and Events
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14 August, 2016

Dear Karl

Enterprise and Skills Review

The Council appreciates the opportunity to respond to the Scottish Government's Enterprise and Skills Review.

The Council believes that given the nature of the challenges facing the Highlands, particularly in relation to its unique geography, remoteness and small dispersed communities, that it is critical to retain a dedicated economic and community development agency so as to promote inclusive growth across Highland.

The Council has worked closely with Highlands and Islands Enterprise (HIE) and has developed a good working partnership with them, recognising their experience and expertise. Most recently this has been evidenced through the joint approach on the City-Region Deal, Inverness Campus and Caithness and Sutherland regeneration Partnership.

These are good examples of collaboration however it is important that we embed this approach formally to ensure long term consistency and to ensure that businesses and communities have a seamless delivery of service. The review offers the opportunity to deepen this partnership through embedding this joint approach by creating a "Team Highland" culture and way of operating between HIE, the Highland Council and other strategic partners.

In relation to economic and community development, while there is already significant collaboration, the Council would suggest the following areas which could be strengthened:-

- Involvement in shaping HIE's strategic operating plan so that it has wider democratic support
- In relation to business development, we recognise that public resources need to be deployed effectively to match priorities. To this end we have adopted a collaborative approach to the development of our ERDF supported project, the Local Growth Accelerator Programme. Working in collaboration with HIE represents the best way of ensuring that we achieve the aims of this specific Strategic Intervention, namely "to enhance the competitiveness of SMEs". It is important that

we demonstrate a better way of operating and to utilise resources as effectively as possible.

- A need for growth businesses to access financial resources to assist them towards the goal of inclusive economic growth. Some of the current access is cumbersome and the process needs to be simplified.
- Redistribution of funding available for SMEs. Specifically, businesses that have not been taken into account managed portfolio but could benefit the delivery of economic growth for our communities.
- The enterprise agency's engagement with Business Gateway in recent times has improved significantly and we would want to build on that further within our local communities.
- A need to engage fully with community planning partners, with a focus on the newly formed area committees to support ongoing community engagement.
- More of an appetite to co-locate with partners to enhance the local proposition.
- Ensure there is regular meaningful dialogue at a higher level to deliver Team Highland's economic objectives within Scotland's overall Economic Strategy.
- An opportunity to embed HIE's strengthening community activity within local decision making and delivery structures to promote the delivery of community empowerment.

The Council has engaged positively with SDS on the development the Highlands and Islands Skills Development Plan and most recently has been an important partner in the development of the Science Skills Academy which aims to promote the uptake of STEM subjects by young people. SDS has also been very supportive of the commitment in the City-Region Deal to develop innovative approaches to delivering employability programmes across Highland.

To ensure that people and businesses across Highland have the skills they need, the Council would suggest the following areas which could be strengthened:-

- More responsive to local circumstances and the skills challenges facing Highland, particularly in relation to construction and IT
- Ensuring local delivery of the Highlands and Islands Skills Development Plan
- Specific support for growth sectors
- Ensuring that workforce planning is relevant to the needs of Highland

In relation to the Scottish Funding Council, the Council believes it would be helpful if there was

- additional support provided for new institutions such as the University of the Highlands and Islands; and
- Greater recognition that funding allocations should take into account the additional costs of educational delivery in remote and rural areas.

The Council believes that a separate structure for Highland economic development is critical to promoting inclusive growth across Highland. HIE has made a significant contribution to the economic development of the Highlands, however it is recognised that we all need to do more together if we are to realise the ambition of inclusive economic growth across our region.

We need to embed a culture of “Team Highland” working together in partnership through collaboration and collocation.

The objective of HIE, SDS, SFC and the Council is to ensure we have the very best economic and skills interventions, which deliver what the users’ need, that deliver the best value that can be achieved and that we are truly delivering inclusive economic growth for the whole of the Highlands.

If you require any further information please do not hesitate to contact me.

Yours sincerely

Stuart Black
Director of Development and Infrastructure