

## The Highland Council

### Planning, Development and Infrastructure Committee

17 August, 2016

Agenda Item	16
Report No	PDI 50/16

## Scottish Government Enterprise and Skills Review

### Report by Director of Development and Infrastructure

#### Summary

The purpose of this report is to advise Members of the purpose of the Scottish Government's Enterprise and Skills Review, and to seek approval for the Council's response to this review.

#### 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 can maximise its key economic interventions to achieve these goals.
- 1.4 The Highland Council supports the Government's ambition of ensuring that the maximum benefit is obtained from public sector interventions in promoting sustainable economic growth. It recognises the importance of ensuring that such interventions are effective, responsive and straightforward.

## 2. Terms of Reference for the Enterprise and Skills Review

2.1 The review and recommendations will focus on achieving three main aims:

- 2.2
1. Achieving the Government's ambition as set out in Scotland's Economic Strategy and National Performance Framework so that our outcomes in respect of innovation, investment (including human capital) and internationalisation lead to a step change in Scotland's economic performance and a more productive and inclusive economy;
  2. Ensuring Scotland's economic and skills interventions are shaped by users' needs and the opportunities users can create as a result of these interventions. The review will address the requirements of an open, modern and advanced economy, including the diverse range of opportunities and challenges in Scotland, and how local and regional approaches that build on national and local assets and relationships can best exploit and tackle them; and
  3. Ensuring that delivery continuously reflects best practice in terms of achieving effective outcomes, driving improvement and optimising public value in the delivery, efficacy and effectiveness of interventions, and ensuring that it is flexible and fits with the evolving fiscal and regulatory landscape of enhanced devolution.

2.3 The Council's response to the Enterprise and Skills Review was submitted by the deadline date of 15 August, 2016 and can be found at **Appendix 1**.

## 3. Role of Highlands and Islands Enterprise

3.1 Highlands and Islands Enterprise (HIE) is the Scottish Government's dedicated economic development agency for the Highlands and Islands with a unique remit that integrates economic and community development.

3.2 Their Operating Plan 2016-2019 sets out the building blocks of their work for the next three years, in line with Scotland's Economic Strategy. These priorities are:

- supporting businesses and social enterprises to shape and realise their growth aspirations;
- strengthening communities and fragile areas;
- developing growth sectors, particularly distinctive regional opportunities; and
- creating the conditions for a competitive and low-carbon region.

3.3 Highlands and Islands Enterprise are also pursuing a number of long term ambitions which by 2020 aim to see a region that is:

- a world-class digital region;
- an international centre for marine renewables;
- home to more growth businesses operating in international markets;
- recognised globally for digital healthcare & marine science expertise;

- characterised by dynamic, sustainable communities;
- a globally-connected region; and
- an attractive region for young people.

#### **4. Council Perspective on Highlands and Islands Enterprise**

4.1 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/economies, it is critical to retain a dedicated economic and community development agency so as to promote inclusive growth across Highland.

4.2 The Council works closely with 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, the Inverness Campus, and Caithness and Sutherland Regeneration Partnership.

4.3 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.

4.4 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 and monitoring the implementation of HIE’s strategic operating plan so that it has local democratic influence and governance;
- in relation to business development, we recognise that public resources need to be deployed effectively to match priorities. To this end the Council adopted a collaborative approach with HIE to the development of its ERDF supported project, the Local Growth Accelerator Programme. Working in collaboration with HIE represents the best way of ensuring that the Council achieves the aims of this specific business support intervention, namely “to enhance the competitiveness of SMEs” and that businesses receive the support they need;
- a need for ‘growth businesses’ to access HIE 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, some businesses that have not been taken into account managed portfolio could benefit from support thereby aiding not only the business but also the 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; and
- an opportunity to embed HIE's strengthening community activity within local decision making and delivery structures to promote the delivery of community empowerment.

4.5 Scottish Development International (SDI) is the investment and trade promotion agency of the Scottish Government and its economic development agencies Scottish Enterprise, and Highlands and Islands Enterprise. It seeks to help establish and grow businesses in Scotland and worldwide.

4.6 Increasingly foreign direct investment decisions are made at a city or regional level rather than a country level. Whilst there remains a place for macro Scotland marketing in the shape of SDI, and it is important that SDI have more of an understanding of what is on offer in the Highlands, there is a need for more project development and a deeper sales role to be delivered at the city-region level.

## **5. Role of Skills Development Scotland**

5.1 Skills Development Scotland (SDS) is the national skills body supporting the people and businesses of Scotland to develop and apply their skills.

5.2 Its key functions include:

- contracting for training programmes including Modern Apprenticeships and support for those seeking employment;
- provision of labour market intelligence and research to align skills investment with labour market needs through Skills Investment Plans and Regional Skills Assessments; and
- delivery of Scotland's all age Career Information Advice and Guidance service through a range of face to face and digital channels.

## **6. Council Perspective on Skills Development Scotland**

6.1 The Council has engaged positively with SDS on the development of 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.

- 6.2 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; and
  - ensuring that workforce planning is relevant to the needs of Highland.
- 6.3 In addition to the Scottish Government consultation, Education Scotland, as part of its programme of reviews, is planning to carry out an external review of SDS career information, advice and guidance provision in Highland during the week commencing 12 September 2016.
- 6.4 This review of SDS career information, advice and guidance provision will evaluate the outcomes and impact of services on individuals, groups and communities delivered by all partners. The team will review activities which promote the Universal Offer to support all secondary school pupils, and the Targeted Service Offer, aimed at pupils who are at risk of not entering or sustaining a positive destination. As such, the team will be discussing the provision of SDS career information, advice and guidance services with managers, staff and pupils from a number of Highland's local secondary schools. Work is currently ongoing to co-ordinate the meetings between managers, staff and pupils and other partners with Education Scotland. This review will therefore usefully offer operational commentary on the career service offering by SDS.

## **7. Role of Scottish Funding Council**

- 7.1 The Scottish Funding Council (SFC) exists to fund the provision of coherent further and higher education and research in colleges and universities, as well as supporting other relevant activity.
- 7.2 Its key functions include:
- allocating public funding to colleges and higher education institutions for teaching and research, buildings and equipment, and for specific initiatives and strategic developments;
  - assessing and enhancing the quality of learning programmes; and
  - developing strategies for improving knowledge and skills, strengthening the Scottish research base and encouraging knowledge exchange with, and innovation in, the public and private sectors.

## **8. Council Perspective on Scottish Funding Council**

- 8.1 SFC requires Outcome Agreements to be in place which set out what colleges and universities plan to deliver in return for their funding. This is undertaken at a regional level, and thus the UHI Highland Colleges are incorporated into the

Highlands and Islands 'Regional' Outcome Agreement. It is therefore difficult at an individual college level or indeed at a Highland level, to understand what is to be delivered and funded and whether, for example, there are resource constraints on the Highland UHI Colleges to respond to the current and future needs of Highland businesses.

In relation to the SFC, the Council believes it would be helpful if there was:

- a revised approach to the preparation and approval of the Outcome Agreement which better reflects the diverse geography and local economies of the Highlands and Islands. This in turn would allow for greater local input to the Outcome Agreement (something for example, that the Scottish Government is seeking as part of the Developing the Young Workforce agenda) and ensure that a range of stakeholders in addition to SFC and the UHI Colleges can contribute to the education and training provided; and
- greater recognition that funding allocations should take into account the additional costs of educational delivery in remote and rural areas.

## **9. Conclusion**

- 9.1 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.
- 9.2 We need to embed a culture of "Team Highland" working together in partnership through collaboration and collocation.
- 9.3 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.

## **10. Implications**

- 10.1 There are no resource, legal, equality, climate change/Carbon Clever, risk or Gaelic implications arising from this consultation response.
- 10.2 Rural  
It is critical that the Government's Enterprise and Skills agencies are responsive to rural Highland and the differing economic and skills challenges presented.

### **Recommendations**

Members are asked to homologate the Council's submission to the Enterprise Skills Review, as detailed in **Appendix 1**.

Designation: Director of Development and Infrastructure

Date: August, 2016

Author: Andy McCann, Economy & Regeneration Manager  
Gordon Morrison, Parliamentary Officer

## **Appendix 1**

Karl Reilly  
Head of Coordination and Events  
Economic Development Directorate  
6<sup>th</sup> Floor Atlantic Quay  
150 Broomielaw  
Glasgow  
G2 8LU

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 and monitoring the implementation of HIE's strategic operating plan so that it has local democratic influence and governance.
- In relation to business development, we recognise that public resources need to be deployed effectively to match priorities. To this end the Council adopted a collaborative approach with HIE to the development of its ERDF supported project, the Local Growth Accelerator Programme. Working in collaboration with HIE represents the best way of ensuring that the Council achieves the aims of this



specific business support intervention, namely “to enhance the competitiveness of SMEs” and that businesses receive the support they need.

- A need for ‘growth businesses’ to access HIE 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, some businesses that have not been taken into account managed portfolio could benefit from support thereby aiding not only the business but also the 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

Education Scotland, as part of its programme of reviews, is planning to carry out an external review of SDS Career Information, Advice and Guidance provision in Highland during the week commencing 12 September 2016. It is understood that the team will be discussing the provision of SDS Career Information, Advice and Guidance services with managers, staff and pupils from a number of Highland’s local secondary schools. Work is currently ongoing to coordinate the meetings between managers, staff and pupils and other partners with Education Scotland. This review will therefore usefully offer operational commentary on the career service offering by SDS and feed into the Scottish Government’s Call for Evidence.

In relation to the Scottish Funding Council, the Council believes it would be helpful if:-

- there was a revised approach to the preparation and approval of the Outcome Agreement which better reflects the diverse geography and local economies of the Highlands and Islands. This in turn would allow for greater local input to the Outcome Agreement (something for example, that the Scottish Government is seeking as part of the Developing the Young Workforce agenda) and ensure that a range of stakeholders in addition to SFC and the UHI Colleges can contribute to the education and training provided.
- 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**