

Industry Leadership Groups Review

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Review of the Industry Leadership Groups (ILGs)

Foreword

“It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change, that lives within the means available and works co-operatively against common threats”.

Darwin’s quote reflects the importance of adaptability in light of external changes and the importance of collaboration – entirely relevant considerations in reviewing the current and future positioning and remit of Industry Leadership Groups (ILGs).

ILGs are a long-established route to engaging industry sectors in Scotland in constructive dialogue with the Scottish Government about shared actions to boost sectoral growth and the economy as a whole, aligned with Scotland’s Economic Strategy. ILGs are well positioned to reach businesses not touched by the usual agency or Government channels.

Sectoral opportunities and challenges evolve and change over time as external factors impact on different industries. Even before the COVID-19 pandemic, in recent years we were increasingly aware of the pace of change impacting all businesses and the cross-cutting challenges and opportunities emerging which were truly sector agnostic.

In contrast ILGs have, generally, not changed, and their impact appears variable. No real guidance has been delivered in recent years on the role of an ILG and leaderships have changed in most cases. At the same time, the activities of the strongest ILGs have gone beyond their original remit and that has never been reflected back.

With the unprecedented economic challenges arising from the COVID-19 pandemic and the opportunities around the move to net zero and climate change, the time is right to review ILGs and look ahead to the future, recognising the opportunity to help their sectors more effectively through enhanced access to partnerships and policy and achieved by a revamped system of engagement. The recent report of the Advisory Group on Economic Recovery also commended improved and action-oriented partnership between business and government.

Engagement should be purposeful, ensuring that businesses have a route to growth opportunities and sector-wide, sector-led training and business initiatives which ILGs lead, facilitate or support, and which complement the support offered by Business Gateway and the enterprise agencies.

As Chair of the Enterprise and Skills Strategic Board, my aim is to drive inclusive economic growth by maximising the benefits of the collective investment that Scotland makes in enterprise and skills development. Of course, delivering inclusive economic growth depends crucially on the activity of businesses, supported by Government and the agencies. Fundamentally I want ILGs to evolve so that their businesses engage better with the system to help them grow. Industry as leaders; agencies as enablers.

I recognise that the ILGs provide a forum for action independent of government, and can articulate sectoral asks and offers where government input adds value. ILGs can play a massive role in aligning industry and government strategies to make them more effective, particularly as we move to economic recovery.

Following an initial phase of discussion with ILG members about their asks and expectations, and about how we move to optimise the general capacity of ILGs to address future challenges, this report aims to reinvigorate sectoral engagement by recalibrating and stimulating leadership and action from industry and the agencies. It makes recommendations about the look and feel of ILGs of the future, recognising and valuing diversity, and inviting industry sectors to take the next steps in an evolving partnership to support more rapid and focussed business growth.



Nora Senior, Chair Enterprise and Skills Strategic Board

Executive Summary

Context

A range of Industry Leadership Groups (ILGs) have been established over time, with different governance, structures, and funding but intended to deliver a common set of aims which include to:

- Increase competitiveness in Scotland's key industries.
- Align engagement to reduce fragmentation of interaction between the public sector and industry; helping to reinforce industry cohesion and alignment.
- Build a strategic partnership around shared priorities focused on growth;.
- Support opportunities through advising and facilitating industry engagement or action.
- Provide leadership and a collective voice of the industry or sector.
- Prioritise and mobilise public and private sector resource to address barriers to growth.

While activity and impact has been variable, those high-level aims remain valid in the context of the rationale for Government engagement with all industry groups and bodies, including ILGs, particularly in the recovery period post COVID -19 and in response to climate change and the move to net zero.

Since the establishment of the ILGs, there have been a number of changes in the wider environment and leaderships have changed, so there is merit in reviewing the ILGs. One of those changes was the creation of the Enterprise and Skills Strategic Board which aims to deliver improved system-wide effectiveness and impact.

This review was therefore initiated to understand the activities of each ILG, their key outputs and how they can increase their impact, particularly working with companies 'outside' the system. This review was also designed to explore ways to more effectively optimise: available UK Government funding; the impact and return on investment associated with finite public and private resource; the strategic impact on policy delivery, business competitiveness and sustainable, inclusive growth; and,

private sector leadership and collaborative action. This was intended to be a short review – running October 2019 to March 2020 and led by Nora Senior (Chair, Enterprise and Skills Strategic Board), but it was delayed by the COVID-19 lockdown and the need to address the immediate and unprecedented economic challenges associated with the pandemic. Now, as collectively we focus on restart and recovery, the value of optimising the impact of ILGs in a transformed environment, becomes even more compelling. Indeed that important point featured in the recommendations of the report of the Advisory Group on Economic Recovery

This review was predicated on dialogue with ILGs, other business and trade bodies, and their public sector partners (essentially the enterprise and skills system) about their experience and ambition for the future. It confirmed a high-level shared commitment to an evolution of ILGs, set in the context of partnership working to deliver impact and value as we face the challenges of the coming months and years.

It is clear that ILGs want and enable regular strategic discussion about challenges and opportunities facing sectors, especially in areas where individual businesses, or government and agencies acting alone could not fully assess the challenge or grasp the opportunity. From discussions with ILGs and businesses we heard about the importance of contact with Ministers, the role of ILGs as a facilitator for collaboration, and about the value of clarity of the ask and offer from Government. From government and agencies, we heard about the importance of attaining deep sectoral knowledge to really understand how mega-trends and policy decisions play out in sectors in Scotland. There was a shared sense that together we should build on current best practice to evolve, foster collaborative partnerships, and transform Scotland's COVID-ravaged economy.

Key Findings

- ILGs currently operate very differently, and that nuanced, differentiated approaches have merit going forward.
- There has been no guidance in recent years on the role of ILGs which has led to inconsistent performance.
- Capacity and knowledge may have been eroded at government and agency level in some ILG sectors.
- There is a lack of evidence for the direct impact of ILGs, but plenty of anecdotal examples of added-value; ILGs appear to have worked best in industries with significant critical mass – food and drink, tourism, financial services.
- It was not clear what happened to the strategies created by some ILGs with no identified sponsor from the government side.
- To secure industry buy-in and commitment, government and agencies must be clear on the value placed on engagement and/or co-production and how that will evolve in partnership.
- Shared plan creation is key and should support economic development priorities.
- Performance measurement is not consistent across the ILG landscape
- The number of Government bodies seeking representation on ILGs was very large, sometimes outnumbering industry representatives.
- ILG relationships with Governments should be structured by a new, high-level and consistent yet flexible framework.
- While the enterprise landscape is busy, ILGs have the potential to evolve in order to continue to play a distinct and valuable role.

Recommendations

This report sets out the rationale for the key features of ILGs in the future:

Governance

- The right balance of membership is crucial, we need to see decision makers and leaders from industry, with proven experience and influence, engaging directly with Ministers and the public sector, including UK Government, to deliver impact in Scotland. It is incumbent on government bodies to work together to find representatives with the right skills and experience, who can cover the brief.
- Optimally, ILGs should leverage trade bodies/membership organisations to increase reach.
- Scottish Ministers are right to note that an ILG should have senior representation from UK Government departments, this should be at a level capable of responding to sectoral concerns unique to Scotland and able to deliver action on matters presently reserved such as the UK Industrial Strategy Fund.
- A clear process should be developed between ILGs, agencies and Scottish Government, where recommendations from strategies are developed, debated, approved and implemented or rejected as being out of line with policy or cost-prohibitive.
- Co-ordination and communication functions should ideally be led by industry sectors themselves (working closely with Scottish Government and agencies in an enabling role).

Performance and Measurement

- The evidence for achievement is anecdotal or focussed on Gross Value Added (GVA). In the future all ILG activities should be aligned to, and measured by, the National Performance Framework (NPF), focused on impact rather than activity. It would be important to recognise and acknowledge achievements 'beyond figures'.
- The purpose, impact, effectiveness and future of individual ILGs should be reviewed every 3-5 years, with decisions taken on their continuance based on results.

Communications and Engagement

- To be considered an ILG, any group should prioritise their reach into their sector and have capacity to act as a focal point or lead for sector ambition and purposeful activity, and be the conduit for government priorities (recognising of course that government is open to working with a range of other business bodies/trade associations, based on reach or representation and capacity to deliver and that this review is focused on efficiency, effectiveness and avoiding duplication).
- There should be clarity on channels of communication and interaction with government and government bodies.
- There is merit in bringing ILGs together (annually or more regularly) around cross-cutting issues, sharing practices and learnings particularly in relation to COVID-19 recovery activities and the move to net-zero.

Challenge and Opportunity

- ILGs should focus on their sectors and their contribution to major cross-cutting challenges and opportunities. Government and agencies should develop a core set of challenges/asks for ILGs with a focus on delivery, and measures which demonstrate progress and success.
- Sector understanding and knowledge at government (UK and Scottish) and agency level is key in co-development of plans and implementation. It is incumbent on government bodies to work together to find representatives with the right skills and experience, who can cover the brief.
- A partnership approach and ways of working need to be reviewed, including scope for shared financial input to delivery of industry innovations and projects where a clear business case exists towards national priorities, creating shared responsibility for risk and reward.
- Where it does not exist currently, ILGs should create and update a sector asset register identifying key areas of skills and competences, to enable faster, more informed response to opportunities for inward investment and to collective national challenges e.g. climate change.
- ILGs should work across the system to widen their 'scope of work' to embrace:

- Becoming a repository of robust labour market demand information for the sector. Given the expected levels of unemployment effected by the COVID pandemic, this information and data will be critical in skills planning and identifying employment vacancies.
- Promoting training opportunities for upskilling and reskilling, particularly Business Models and Workplace Innovation in the context of COVID-19 impacts; this should include the co-creation of course content, and shared digital learning resources.
- Developing and promoting shared apprenticeship opportunities particularly among Small and Medium Enterprises (SMEs).
- Becoming an 'innovation gateway', signposting companies to innovation and R & D resources, creating stronger ties to colleges and universities and various funding support opportunities.
- Communicating and promoting understanding of the benefits of Fair Work practices.
- Developing a database of cross-sector mentoring and partnership opportunities and facilitate introductions.
- Supporting Business Creation and Growth through referral at the right time, to appropriate parts of the system, eg Scottish National Investment Bank, SE , HIE and the new South of Scotland Enterprise Agency, private sector funders, to ensure key opportunities are not lost.
- Work with sectors to develop collaborative routes to exporting: facilitating distribution partnerships, mentors, overseas contacts (particularly making greater use of the Global Scots network).
- Provision of sector specific careers advice to inspire and attract young people including the design of worthwhile work placements and shared trainee placements.
- Inputting to policy decisions affecting the sector.
- Liaising with enterprise agencies to co-ordinate national and international funding bids and procurement tenders; and in a local context encouraging businesses to buy locally.

Sector Differentiators

ILGs should stimulate and encourage increased business and sector activity. However, sectoral engagement should be differentiated and nuanced within a broad framework that is appropriate to different sectors and their different 'asks' and 'offers':

- Established sectors – which can lead and deliver ILG ambitions independently.
- Emerging sectors – where scale of opportunity merits transitional support leading to the evolution of an established ILG.
- Underpinning sectors – sectors with a broader impact on national resilience which are less exclusively focussed on sector opportunities. The relationship with Government and agencies will be different for an ILG with this broader remit, focused on societal and economic resilience as well as the future performance of the sector.

Funding

In future, established sector ILGs should be independent, industry-led and funded or co-funded, working in partnership with government and agencies to deliver sustainable and inclusive growth. ILGs should be able to co-ordinate their core functions including national strategy development and two-way communication, to what might be considered a 'base-level'. Naturally, industry must be in the lead in realising such functions and furthering it to their specific needs, but it is right that economic agencies contribute too - consistent with the partnership approach commended by the Advisory Group on Economic Recovery - as a committed partner and valued contributor to the development of strategies that meet the interests of all parties

Emerging sectors will have similar features but be supported by government until a transition to established status is achieved.

Next Steps

This report recommends a range of substantive changes to Scottish Ministers, to ILGs and other business leaders.

They have to work together to further develop and implement this new approach, and agree the timeframe and mechanisms for transitions: ensuring that ILGs have the skills and people to deliver; that support and evaluation structures are developed; that funding issues are considered and addressed.

Subject to approval by Ministers, and a positive response from ILGs, that work should be progressed at pace on a sector by sector basis, and concluded by the end of 2020.

Introduction and Notes on Structure

Aim

This review was led by Nora Senior (Chair, Enterprise and Skills Strategic Board) and initiated to understand the activities of each ILG, their key outputs and how they can increase their impact. The review aimed to deliver:

- an agreed set of principles setting the context for ILGs moving forward.
- a consistent and coherent strategic framework for the government's approach to support for established and emerging sectors or industries.
- the respective leadership roles for government and ILGs and their members.

Existing ILGs include:

- Aerospace, Defence, Marine and Space
- Construction
- Creative Industries
- Financial Services
- Life Sciences
- Food and Drink
- Aquaculture
- Energy
- Technology
- Tourism
- Textiles
- Chemical Sciences
- Scotland for Employee Ownership

Approach

The main sources of evidence were interviews with representatives of the Industry Leadership Groups, information submitted from government and agency officials, and analysis undertaken by the Enterprise and Skills Analytical Unit.

Structure

Following the evidence gathering and consultation phase, this report identifies four key themes: governance; achievements and measurement; communication and engagement; and opportunity. The conclusions of these themes are broadly applicable to current ILGs, groups which are being established now, the Government's approach to sectoral engagement in future, and the ambition and expectations of ILGs.

Theme 1 – Governance

Our Findings

- There is a correlation between legitimacy and effectiveness – this emphasises the importance of the right membership for the ILG. ILGs which recruit to ensure the balance of the group is representative of the sector (e.g. by company size) appear to have a better reach into the sector.
- ILGs appear to have worked best in industries with significant critical mass – food and drink, tourism, financial services.
- The number of government bodies seeking representation was very large, sometimes outnumbering industry representatives.
- The role of the Chair is hugely important and strong leadership, skills and experience, allied with a commitment to partnership working is a must for an effective ILG.
- More effective ILGs utilise sector infrastructure. ILGs which are led by or collaborate formally with trade bodies are generally able to deliver more.
- Ministerial engagement is a major draw for senior industry leaders, and impact.

In Future:

We recommend that in future, the following factors should be in place to be an established and recognised ILG:

- The membership must be majority industry, made up of senior leaders who are able to commit to action and investment;
- The ILG must be a manageable size (12-15 people) ;
- All ILGs should act as catalysts, focussed on co-production and co-investment between business and the public sector in order to deliver more for Scotland. A partnership approach and ways of working need to be reviewed, including scope for shared financial input to delivery of industry innovations and projects where a clear business case exists towards national priorities, creating shared responsibility for risk and reward.
- Ministerial involvement as co-chair should be an expectation, attending two ILG meetings per year;

- There is an important role for leveraging existing sector infrastructure such as trade bodies and membership organisations due to their reach, purpose and staff resource;
- Co-ordination and communication functions should ideally be led by industry sectors themselves (working closely with Scottish Government and agencies in an enabling role); there may be a possibility to leverage this support through existing trade bodies or professional bodies already working with the sector where appropriate, pro-bono or at cost in exchange for the additional influence that the ILG provides for members;
- Scottish Ministers are right to note that an ILG should have senior representation from UK Government departments, this should be at a level capable of responding to sectoral concerns unique to Scotland and able to deliver action on matters presently reserved such as the UK Industrial Strategy Fund.

While all ILGs operate in a variety of ways, a number of common areas of best practice came to the fore amongst established ILGs during the review:

- Monthly meetings by phone/digital channels.
- Quarterly working group meetings.
- Group meetings every 4 months (morning session to business, afternoon, discussion forum. Scottish Government and enterprise agencies have standing invitation

The Role of the Scottish Government and Agencies

Ministerial engagement through a recognised structure is key to reinvigorating the ILGs for future challenges, and stimulating action and impact. As such, the role of Scottish Government and agencies should be:

- Government should be there in an enabling role to support the sector to grow and articulate and deliver its contribution to key strategic priorities (e.g. Climate Change and a transition to a vibrant and growing low carbon economy).
- Agencies should be involved in working appropriately with ILGs to engage, co-produce, co-fund and co-deliver on emerging opportunities.

- One senior representative of Scottish Government (Team Leader minimum) should attend the ILG and at least one senior representative of the enterprise and skills agencies (this could flex depending on topics of discussion).
- It is incumbent on government bodies to work together to find representatives with the right skills and experience, who can cover the brief, who will undertake to communicate the needs of the sector across the system.

Theme 2 – Performance and Measurement

Our Findings

It is difficult to demonstrate the direct impact of ILGs and it is outside of the remit of the review to assess each intervention or project. The Review process found that:

- ILGs were set up (2011/12) to deliver a sector strategy – most ILGs have (or have had) strategies.
- ILGs have been instrumental in setting up numerous new interventions, whether Innovation Centres or new networks (e.g. FinTech Scotland)
- ILGs have acted in an advisory role e.g. providing advice to Government on sectoral impact of Brexit, responding to consultations, advising on government policy (such as *A Trading Nation*).
- ILGs work with enterprise and skills agencies on specific projects, including as owners of sectoral Skills Investment Plans and, in many cases, ILGs or sub-groups play an important role in SDS' sectoral skills work.
- There has been no guidance in recent years on the role of ILGs which has led to inconsistent performance.
- It was not clear what happened to the strategies created by ILGs with no identified sponsor from the government side.

Sectoral Performance and ILGs

There is no clear relationship between the operation of an ILG and sector performance and growth

- In terms of GVA growth over time, only half of the ten best performing sectors had ILGs, and ILGs operated in all five of the lowest performing sectors.
- Looking at sectors with ILGs compared to equivalent GB sectors, six of 13 sectors experienced a higher rate of employment growth between 2012-2018 and seven saw less growth.

For full analysis see Annex E.

In Future:

- Sectoral performance is measured in terms of GVA and jobs, which was appropriate to the context when ILGs were established. There is now a greater emphasis on a wider view of economic growth in terms of inclusion and wellbeing. From Government's perspective there would be merit in proportionate measures of ILG success and performance which are aligned to the National Performance Framework and Inclusive Growth Diagnostic indicators. Government and ILGs should work together to agree measurement framework with achievements going 'beyond figures'.
- The role and responsibilities of an ILG should be clearly defined, taking into consideration the size and specific needs of the sector they represent.
- There should be a clear process developed where recommendations are developed, debated, approved and implemented or rejected as being inconsistent with policy or cost-prohibitive.

Theme 3 – Communication and Engagement

Our Findings

- Those ILGs with close involvement of trade bodies and member organisations had deeper reach into their sectors and offer an excellent route to broad and deep engagement.
- There were ILGs without this trade or membership organisation who could demonstrate positive practice, for example the Scottish Forestry and Timber Technology ILG's front-line engagement activities.
- ILGs have the potential to reach businesses not currently touched by the usual Government and agency routes
- In many sectors, there is a crowded landscape with numerous potential routes to engage on a sectoral basis therefore ILGs must occupy a specific niche.
- ILG Chairs used to be brought together for an annual event. There is merit in bringing together ILGs around cross-cutting issues, particularly sharing practice and learning – and facilitating cross-sectoral collaboration.

Building on mapping work undertaken by Scottish Enterprise we can see that there are numerous industry bodies operating in Scotland; including in the same sectors as ILGs.

This mapping is not exhaustive but indicates a crowded landscape.

It is therefore important that any future ILGs occupy a specific niche, as outlined in this report.

For full analysis see Annex E (Figure 1)

In Future:

- All ILGs should make efforts to reach out widely and connect with their sector. This is fundamental to the future role of ILGs around facilitating innovation and bid consortium assembly. A functional ILG would be known and visible to the sector;
- There is a really important role for ILGs in communication to- and from- Government and agencies and this should be prioritised; There should be clarity on channels of communication and interaction with government and government bodies.
- There is more to be done to consider how ILGs could connect into the Enterprise and Skills Strategic Board, and to one another, in order to facilitate collaboration.

Theme 4 – Opportunities

Our Findings

- Some ILGs did not have strategic plans nor the industry-wide high-level membership/leadership necessary to envision strategic opportunities for the sector or Scotland.
- Given the Strategic Board’s aims to deliver improved system-wide effectiveness and impact and drive greater inclusive economic growth, the status quo is not an option.
- ILGs were set up with a primary purpose of delivering a sectoral strategy – the context has now changed.
- Sector understanding and knowledge at Government (UK and Scottish) and agency level is key in co-development of plans and implementation. It is incumbent on government bodies to work together to find representatives with the right skills and experience, who can cover the brief.

In Future:

- An ILG’s top level, core objectives are to achieve faster growth for the sector by propelling opportunities faster than the sector itself could do without this link into Government and agencies, as well as facilitating sector wide responses to national challenges.
- The opportunities for ILGs are underpinned by the proposed change of emphasis across themes 1 – 3. ILGs must: have the right people; deliver on sector and Government priorities; and bring the sector with them.
- ILGs have an opportunity to act to coordinate and stimulate individual sectors, particularly around leveraging funding from the UK Industrial Strategy.
- ILGs should act as a conduit for Scottish Government priorities, particularly in communicating with the sector and businesses that are not currently captured by existing Government and agency routes.
- ILGs should be focussed on the sector’s role in economic impact and opportunities, co-production and cross cutting issues - with a stronger and sustained focus on planning, protocols and procedures which ensure delivery and impact, including.

- Becoming an ‘innovation gateway’, signposting companies to innovation and R & D resources, creating stronger ties to colleges and universities and various funding support opportunities;
 - Liaising with Enterprise agencies to co-ordinate national and international funding bids and procurement tenders;
 - Encouraging businesses to buy locally by deploying their enhanced knowledge about who could provide what, thus playing an important role in stimulating local procurement. This would play into procurement policy nationally.
 - Promoting training opportunities for upskilling and reskilling, particularly Business Models and Workplace Innovation;
 - Communicating and promoting understanding of Fair Work practices
 - Developing a database of cross-sector mentoring and partnership opportunities and facilitate introductions;
 - Supporting Business Creation and Growth through referral at the right time, to appropriate parts of the system, e.g. Scottish National Investment Bank, Scottish Enterprise , Highlands and Islands Enterprise and the new South of Scotland Enterprise Agency, private sector funders, to ensure key opportunities are not lost;
 - Work with sectors to develop collaborative routes to exporting: facilitating distribution partnerships, mentors, overseas contacts (particularly Global Scots);
 - Inputting to policy decisions affecting the sector in the particular context of the COVID-19 recession.
- There is scope for the companies involved in ILGs to act as role models in order to demonstrate best practice in core government priorities such as Fair Work
 - ILGs can work to signpost and develop training for the sector, particularly around leadership and management and sector specific digital skills, and in particular as set out above:
 - the potential for ILGs to be central to the development and promotion of shared apprenticeship contract and programme opportunities particularly among SMEs.

- the provision of sector specific careers advice to inspire and attract young people including the design of worthwhile work placements and shared trainee placements.

Earlier references to national challenges have focused on climate change and low carbon. Another key example is around sectoral big data. ILGs could set out to create a national map of resources for their sector so that by making connections, big challenges can be addressed more dynamically by sectors, and across sectors.

That would then inform skills plans, and industry evidence of demand for upskilling and reskilling. This information should also be able to be analysed through data analytics and fed back into the system This resonates with the Strategic Board's drive for inclusive economic growth by maximising the benefits of the collective investment that Scotland makes in enterprise and skills development.

Given the expected levels of unemployment effected by the COVID-19 pandemic, by boosting the repository of real-time labour market demand information for the sector., this information and data will be critical in identifying current employment vacancies

Looking To the Future

There are ILGs in a variety of different sectors, and new groups in emerging sectors that are not formally ILGs. This review does not seek to prescribe which sectors should have an ILG – rather to articulate what an ILG should be and the offer and ask from Scottish Government and its agencies.

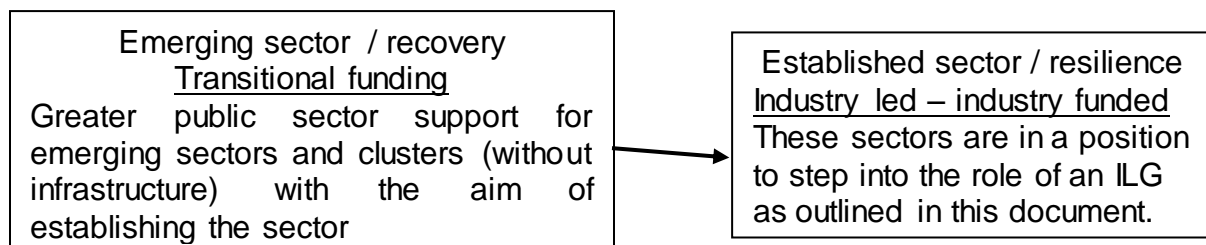
It is clear not all sectors have the infrastructure to maintain or step into the ILG role.

There is an important choice here about the focus of finite public sector support. This review recommends a greater focus for transitional public sector funding for emerging sectors with a clear goal of moving these to the independent, established status.

It also sets out a framework: factors which should be used on a case by case basis to determine the nature of and conditions for public sector engagement and support, set also in the context of regular time-bound reviews.

Future framework

This leads us to outline a typology of sector support, recognising the different maturity of sectors and recognising those sectors which impact beyond their own sectoral focus. This typology is aligned to the Scottish Government's Economic Action Plan which aims to ensure we build resilience, enable recovery and growth, and restructure for the future.



Underpinning and Restructuring Government funding

Sectors with a broader remit also related to national resilience and strategic priorities. National Infrastructure are those facilities, systems, sites, information, people, networks and processes, necessary for a country to function and upon which daily life depends. While there are 13 national infrastructure sectors (Chemicals, Civil Nuclear Communications, Defence, Emergency Services, Energy, Finance, Food, Government, Health, Space, Transport and Water) only a small number connect to ILGs and our shared focus on growth.

This review recommends a range of substantive changes to Scottish Ministers, to ILGs and other business leaders. They have to work together to implement this new approach, and agree the timeframe and mechanisms for implementation: ensuring that ILGs have the skills and people to deliver; that support and evaluation structures are developed; that funding issues are considered and addressed. That work should be progressed at pace, given the immediate economic challenges emerging from the COVID-19 pandemic and recession.

Annex A: Background to the review

The review was initiated to understand the activities of each ILG, their key outputs and how they can increase their impact. This review was particularly to optimise: UK Government funding; impact and return on investment associated with finite public and private sector resource; the strategic impact on policy delivery, business competitiveness and sustainable and inclusive growth; and, private sector leadership and collaborative action. This is a short review, running October 2019 – January 2020 and led by Nora Senior (Chair, Enterprise and Skills Strategic Board).

What are we trying to achieve?

This review aims to deliver:

- An agreed set of principles setting the context for ILGs moving forward;
- A consistent and coherent strategic framework for the Government's approach to support for established and emerging sectors or industries; and
- The respective leadership roles for government and ILGs and their members

Evidence base

The evidence base is summarised in the annex and is focussed on:

- Providing an update on the current operation of the ILG (activity and leadership (Annex B), membership (Annex C), and resourcing (Annex D)); and,
- Understanding performance of sectors over the time period (2012 – most recent data) and comparing to UK level (Annex E)

Which sectors have ILGs?

Aerospace, Defence, Marine and Space (ADMS); Construction; Creative Industries (Creative Industries Advisory Group or CIAG); Financial Services (Financial Services Advisory Board or FiSAB); Life Sciences (Life Sciences Scotland or LSS); Food and Drink (Scotland Food and Drink Partnership Board); Aquaculture; Energy (Scottish Energy Advisory Board or SEAB); Tourism.

Our review also considered new sectoral engagement groups – focussed on space; low carbon transport; and, advanced manufacturing.

Annex B: Activity and Leadership

ILG	Ministerial co-chair	Focus on strategy delivery?	Industry led strategy?	Sector growth target	Action owner
ADMS	N/A	N/A	Yes (published 2016)	Real-terms growth of ADMS sector between 6%-10% by 2020.	N/A (dormant)
CSS	N/A	N/A	Yes, developed in 2012 and refreshed in 2018	N/A	N/A (dormant)
Construction	No	Yes	Yes 2019-22, builds on 2013-16	No	Industry
CIAG	Yes	No	No	No	Majority Government and agencies
FiSAB	Yes	yes	2008	N/A	Industry
LSS	Yes	Yes	Yes	Industry turnover to £8Bn by 2025	Industry
Textiles (see notes below)	No	Yes	Yes	Targets for 2020 for turnover, export sales and BERD	Industry
Scotland Food and	No	Yes	Yes	Double turnover by 2020	Mix – bulk to member organisation

Drink Partnership Board						
Aquaculture	No	Yes	Yes	Double economic contribution by 2030		Mix – bulk to SG and regulators
SEAB	Yes	Yes	No	N/A		Mix – bulk to SG
Oil and Gas	<i>Following review of ILGs under SEAB. These changed to Strategic Leadership Groups, with SG secretariats</i>					
Renewables						
TGCCS						
Scottish Forest and Timber Tech	Yes	Yes	Yes	Double contribution to £2Bn by 2030		Scottish Forestry
TAG	<i>No longer exists</i>					
Scottish Tourism	No	Yes	No (strategy leadership inc. industry)	No		Industry

Colour coding : Yellow = public sector; blue = industry; dark red = member organisation

- The Textile ILG reflects the size and diversity of the fashion and textile industry in Scotland. It exists to create a broad strategy for the industry in Scotland and acts as an interface between the industry and government. The first meeting of the new group was held in Glasgow in November 2019. At the meeting, Simon Cotton, CEO of Johnstons of Elgin, was elected as chair of the group. The ILG agreed to focus on developing an export strategy and a skills strategy that focuses on all aspects of the industry from manufacturing to design to the provision of education and training.

Annex C: Summary table - Membership of the ILGs and Sub-groups

ILG	Appointment of members	Steps to ensure membership is representative	Current sub-groups
ADMS	<i>Dormant</i>		
CSS	<i>Dormant</i>		
Construction	By application and consideration by the Chair; approval by the group	The Group have mapped the constituent parts of the industry (e.g. main contractors, to ensure appropriate representation	Various sub-groups e.g. Skills, Building Standards and Procurement, Innovation etc. Sub-groups align to the themes of the strategy. SE funding for (administration and projects); KPIs as funding condition
CIAG	Suggestions from SG officials with input from partners and the co-chair. My Hyslop approves.	Representativeness is a key consideration when appointments are made	The co-chair has convened a sub-group about how SNIB could support creative industries. SG provides secretariat. No direct funding.
FiSAB	Recommendation from FiSAB members, SfE (industry body), SG officials. FM approves	Achieving sectoral representation is the responsibility of the Chair and Deputy Chair	Skills and Talent – address the anticipated skills gap in the sector Banking and Economy Forum – issues facing banks and readiness for Brexit

			No funding – SG/SE/SDS involved where needed
LSS	<p>Appointment of members and co-Chairs overseen by the Governance Group.</p> <p>There is a ‘register of potential members’. This is generated from existing members, industry contacts etc. Candidates are assessed and interviewed by the Governance Group</p>	Terms are 2-4 years to ensure regular turnover	<p>Four groups focussing on strategic themes (2025 vision): internationalisation; business environment; innovation and commercialisation; and, sustainable production. Two enabling groups: Governance and Marcomms</p> <p>There is now a working group on AAA (Agritech, Aquaculture and Animal Health)</p> <p>No funding (SG/SE) for working groups except for allowable expenses from SE</p>
Textiles	Textiles	Appointment and approval by Chair and Group Members – specific arrangements to be finalised	Achieving sectoral representation is the responsibility of the Chair and Group
Scotland Food and Drink	Membership is CEOs of key organisations (e.g. NFUS, SSPO, SWA) and staff from	The spread of trade organisations ensuring	Subgroups focus on themes e.g. exports, skills, innovation and tourism. SG and agencies are involved in all subgroups

Partnership Board	SE, SE, HIE and SDI. Members are appointed by the individual trade organisations	representation of different business sizes	
Aquaculture	Membership is drawn from the FinFish farming sector and includes HIE, SEPA, SNH etc. Currently members mostly operate in salmon farming	The TOR states the group should be representative of the industry. The public sector only has observer status. No environmental NGOS	Funding is primarily through contribution in kind but particular members due take financial responsibility for specific projects.
SEAB	Membership is senior executives from utilities, skills and sector experts and academic input.	Representation (business size) considered by the Group and officials	A number of SLGs are being established
Oil and Gas			
Renewables			
TGCCS			
Scottish Forest and Timber Tech	Unknown	Unknown	Recent SE support for design and publication of strategy and contribution to maintenance and hosting of website.

			Majority of funding associated with ILG projects is from Scottish Forestry and the Timber Development Fund
TAG			
Scottish Tourism	Unstructured	Nothing to date	No set subgroups but the national strategy has asset groups (events and festivals etc.) and ad hoc subgroups from time to time

Annex D: Summary table – Resourcing

ILG	Lead	Secretariat	Financial contribution to running cost	Established project funding	SG and agency time (estimate)
ADMS	N/A	N/A	No	No	Low
CSS	N/A	N/A	No	No	Low
Construction	ILG Chair / industry	SE funds to 2020. Discussions on next steps	Yes (SE)	Yes (SE)	Medium
CIAG	SG	SG	No	No	High
FiSAB	SfE	SG	No	No	Medium
LSS	ILG Chair / industry	SE funded consultant – now SE	Yes (SE)	SE provided £241K for marcomms over the last 4 years and £60K for consultant (2016-June 2019)	High
Textiles	Textiles Scotland	Textiles Scotland	No	No	Low
Scotland Food and Drink Partnership Board	Scotland Food and Drink	Scotland Food and Drink	No	SG committed £7.5M to delivering the strategy	High

Aquaculture	ILG Chair / industry	Scottish Salmon Producers' Organisation (previously HIE)	No	Members contribute funding	High
SEAB	SG	SG	No	No	High
Oil and Gas	<i>Ongoing review of ILGs under SEAB. ILGs likely to change to Strategic Leadership Groups. These will have SG secretariat</i>				
Renewables					
TGCCS					
Scottish Forest and Timber Tech	SF	SE (via Scottish Forestry)	No (staff resource only)	Yes – SF and HIE	High
TAG	<i>No longer exists</i>				
Scottish Tourism	STA	STA	No	Yes (SG, SE and HIE)	Medium

Colour coding

Yellow = public sector; blue = industry; dark red = member organisation

Definitions for SG and agency time

High = dedicated staff; work between meetings; time committed regularly (i.e. weekly) Medium = support focussed around meetings (this can cover senior staff too)

Low = no dedicated support

Annex E: Industry Leadership Groups and Sector Performance

Summary Analysis

While it is difficult to attribute the performance of a sector to the existence of an Industry Leadership Group (ILG), it is still useful to examine each sector's performance and compare to those which currently have no ILGs.

The analysis indicates no clear relationship between the operation of ILGs and sector performance or sector growth. In 2017 ILGs operated in slightly more large sectors than small sectors (eight out of the top 10 sectors for GVA, and five out of the bottom 10). However, in terms of GVA growth over time, only five of the 10 best performing sectors were represented by ILGs, and ILGs operated in all five of the lowest performing sectors.

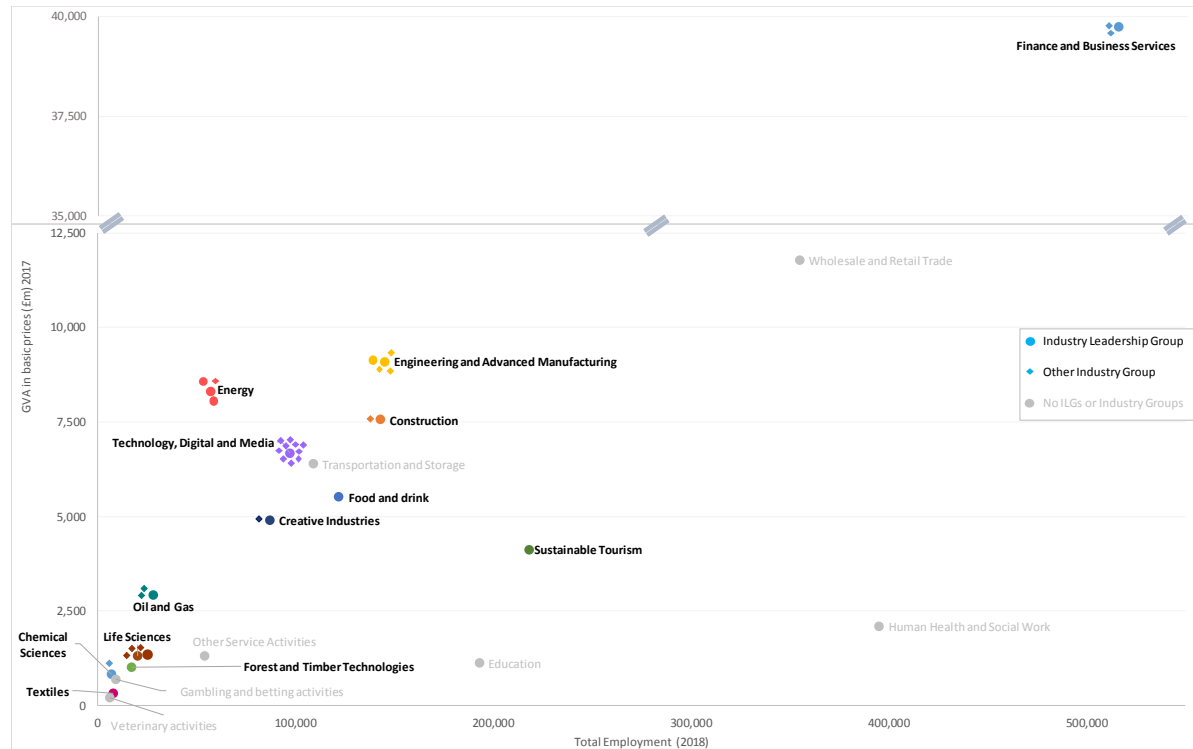
When comparing Scotland's sectoral performance with Great Britain (GB), six sectors out of 13 experienced a higher rate of employment growth between 2012 and 2018 in Scotland (where ILGs operate) than in GB. Seven sectors out of 13 saw less growth in Scotland than in GB over this period.

There are a number of other industry trade bodies and groups which operate alongside ILGs. Building on previous work undertaken by Scottish Enterprise, these have been mapped alongside ILGs. The analysis highlights there is no strong relationship between the number of other industry groups and the performance of a sector, with some of the highest performing sectors having either a number of other industry groups (e.g. Technology, Software and Communications) while others have no industry body (Veterinary activities).

Current Sector Performance

Four of the five best performing sectors have at least one ILG, as well as at least one other industry group. Three out of the five sectors with the lowest GVA are represented by ILGs.

Figure 1: The operation of ILGs and other industry groups against current sector size



*GVA is in current prices, not adjusted for inflation

** GVA figures sourced from the Annual Business Survey (ABS); exceptions below

*** Employment data sourced from the Business Register and Employment Survey (BRES)

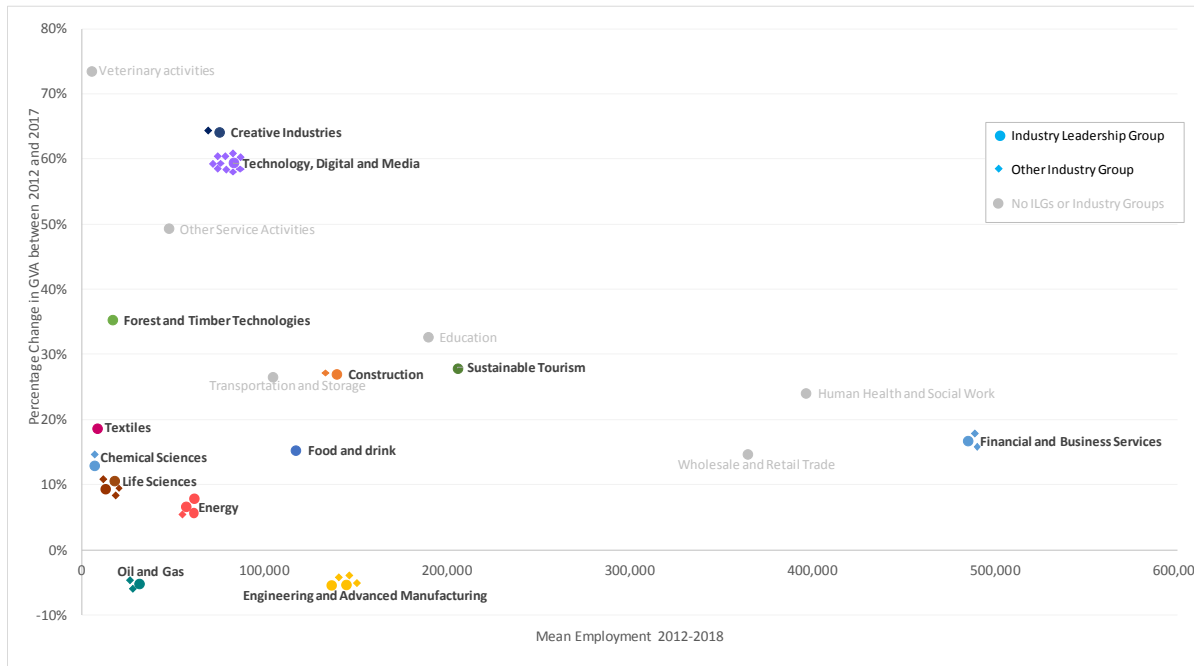
**** The Finance and Business Services, and Oil and Gas GVA figures are sourced from the GPD Quarterly National Account Statistics. These figures reflect onshore activity only.

***** The data for the Food and Drink sector for agriculture comes from the Economic Report on Scottish Agriculture (GVA) and the Agricultural Census (employment).

Change in sector performance over time

ILGs operate in three out of five of the sectors with the highest GVA growth between 2012 and 2017 (see Figure 2).

Figure 2: Sectoral performance since the establishment of ILGs (2012-2017)



*GVA is in current prices, not adjusted for inflation

** GVA figures sourced from the Annual Business Survey (ABS); exceptions below

*** Employment data sourced from the Business Register and Employment Survey (BRES)

**** The Finance and Business Services, and Oil and Gas GVA figures are sourced from the GPD Quarterly National Account Statistics. These figures reflect onshore activity only.

***** The data for the Food and Drink sector for agriculture comes from the Economic Report on Scottish Agriculture (GVA) and the Agricultural Census (employment).

***** It is not possible to look the performance of the Gambling and Betting Activities sector over time. Data on purchases for 2012 onwards have been produced using a new method for apportionment. This has resulted in volatility for a small number of multi-site businesses in Division 92 – Gambling and betting activities. Further analysis is being carried out by the ONS; therefore figures for this Division should be treated with caution.

The Veterinary Activities sector has experienced the highest rate of growth in GVA since 2012 (around 74%), however it is not represented by an ILG or other industry groups. ILGs operate in each of the bottom five sectors for GVA growth. GVA has fallen by around 5% in both the Oil and Gas, and Engineering and Advanced Manufacturing sectors between 2012 and 2017.

Sector performance in Scotland and Great Britain

Figure 3 shows the change in employment in each sector between 2012 and 2018 in Scotland and Great Britain (with ILGs only operating in Scotland). For this analysis, change in employment over time is used as a proxy for sector performance. ILGs operate in Scotland but not in the rest of GB.

ILGs operate in all Scottish sectors represented in Figure 3. Ten out of thirteen sectors in Scotland had higher levels of employment in 2018 compared to 2012. Of these sectors, four performed better in Scotland than in GB as a whole. Creative Industries and Technology, Digital and Media saw the greatest increases in employment levels in Scotland between 2012 and 2018; 33% and 29% respectively. These sectors in GB grew by 19% and 16% respectively. Life Sciences (including Biotechnology) and Chemical Sciences also saw higher levels of employment growth in Scotland compared to GB as a whole.

Textiles, and Oil and Gas performed relatively better in Scotland than the same sectors in GB as a whole, although this was due to falling employment between 2012 and 2018 in GB.

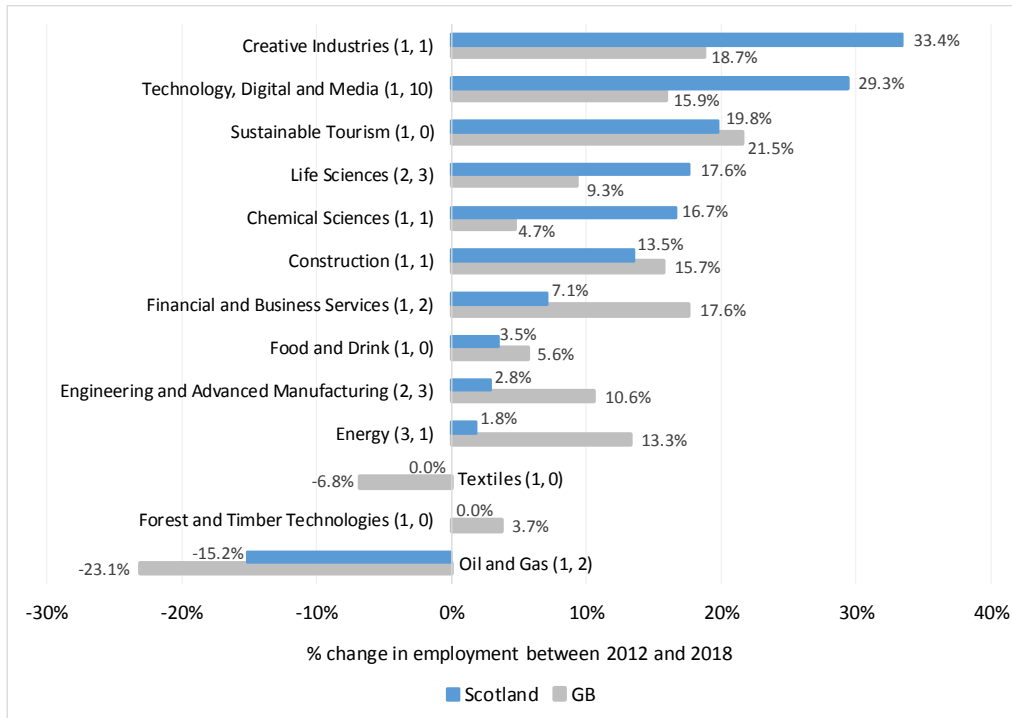


Figure 3: Change in sector performance in Scotland compared to GB since establishment of ILGs (2012-2018)

* Data sourced from the Business Register and Employment Survey

** Numbers in brackets indicate the number of ILGs and other industry groups that operate in each sector; e.g. (1,1) indicates that the Creative Industries sector is represented by one ILG and one other industry group.

Methodology

The basis of this work was an industry mapping exercise undertaken by Scottish Enterprise (SE). This work identified 17 ILGs that represent 15 “Economic Areas”. For this analysis, sectors were defined according to the Export Performance Monitor (EMP) (see “sector definitions” below for exceptions) as this most closely matched the Economic Areas identified by SE. The ILGs (and other industry groups) were then mapped onto the sector that best matched the economic area that SE assigned them to. The economic area “Biotechnology” is included in the Life Sciences sector. The methodology used means the sector mapping presented in this report may not fit exactly with the industries the ILGs see themselves as representing.

Notes on data sources

The Business Register and Employment Survey (BRES) is the official source of employee and employment estimates by detailed geography and industry. New figures are published annually by the ONS.

The Annual Business Survey (ABS) is an annual survey of registered businesses covering the primary industries, manufacturing, construction and service industries (including distribution) which represent the UK Non-Financial Business Economy. This is about two thirds of the UK’s whole economy in terms of Gross Value Added. The statistics do not cover the whole economy, omitting the financial sector, parts of agricultural sector and parts of the public sector (including public provision of healthcare and education). Alternative data sources were used for some sectors (see footnotes above).

Sector definitions

Sectors are defined according to SIC codes, however sectors may be defined by different groups of SIC codes in different data sources. Multiple data sources have been used for the analysis presented, so there may be some overlap between sectors, where SIC codes have been included in different sector definitions by different data sources.

The Export Performance Monitor (EPM) was used as the basis of sector definitions, however the Annual Business Survey dataset covers a number of SIC codes that are not included in the EPM. Analysis of these remaining SIC codes resulted in four further sectors being identified as appropriate to include in figures 1 and 2: Gambling and Betting activities, Veterinary activities, Human Health and Social Work Activities, and Other Service Activities. “Human Health and Social Work Activities” includes the divisions “Human health activities”, “Residential care activities” and “Social work activities without accommodation”. “Other Service Activities” includes the divisions “Activities of membership organisations”, “Repair of computers and personal and household goods” and “Other personal service activities” (e.g. laundrettes, hairdressing services). The Creative Industries sector was defined according to the Growth Sectors database definition in this analysis. The Food and Drink Sector was defined according to the Growth Sectors database for Figure 3, to allow GB comparison.



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