

Regional Economic Policy Review

**Paper 1 – The National Perspective
Regional Economic Policy Advisory Group**

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1. Introduction

1.1 Purpose

1.1.1 This review examines why, and in which policy areas, economic development works well on a regional scale. We are particularly interested in how the delivery of regional economic development policy can contribute to the aims of the recently published [Scotland's National Strategy for Economic Transformation](#) (NSET).

1.1.2 A set of evidence-led and deliverable recommendations will be produced, seeking to strengthen regional economic development delivery in Scotland. These are aimed at longer-term and strategic approaches to national investment and will consider how best Scottish Government can support regional partners to deliver policies and benefits on this scale.

1.1.3 The recommendations are intended to be high level, and allow the Scottish Government to consider options for effective implementation.

1.1.4 But this is not only for Scottish Government; it is vital that regional autonomy is strengthened, with an increase in equally shared responsibility and decision making (thought of as horizontal accountability and integration). The Scottish Government must also enhance the flexibility required for each region to properly respond to their specific economic requirements and support their work to reduce inequality both within and between regions.

1.1.5 NSET and both the 2021/22 and 2022/23 [Programme for Government](#) give a refreshed emphasis on regional economic activity, setting the policy context for this review. They reference the benefits of shared ambition, endeavour and purpose in economies of scale, noting how this contributes to the national ambition to transform Scotland's economy. NSET sets out the necessary role for regions within economic transformation the Scottish economy, stating:

“National success cannot leave any region behind. This strategy will not, in detail, outline the critical interventions in each local economy, but we do intend to ensure strong regional economic strategies and local economic development plans covering every area of Scotland to enable this work to progress... It needs to be built from the grassroots, rather than imposed top-down by government.”

NSET p31

1.1.6 Recognising regions as key drivers of the economy, both NSET and PfG included the commitment to undertake this review¹, reinforcing the value of regional working as an effective means of delivering a wellbeing economy, defined as “a society that is thriving across economic, social and environmental dimensions, and that delivers prosperity for all Scotland's people and places”².

¹ [NSET](#) and [PfG](#)

² [NSET](#), p.4

1.1.7 Achievement of this is set within the wider context of respecting environmental limits which are embodied by Scottish Government climate and nature targets, and improving the lives and outcomes of children and families, embodied in child poverty targets. Taken together all this ought to reduce regional inequalities.

1.2 Structure

1.2.1 The review is structured across 4 papers:

1.2.2 Paper One: National Perspective: provides an overview of the current delivery landscape. To inform this, we conducted a consultation across Scottish Government and regional stakeholders, seeking responses to a series of questions in order to draw out not only what is currently being done, but identify what is possible, how to enhance regional working, and where additional benefits might be created.

1.2.3 Paper Two: Regional Perspective: presents an overview of regional approaches to economic development across Scotland, offering examples of how different regions are approaching their unique opportunities and challenges. The evidence base for this was compiled largely from work produced by regional partners themselves, looking at Regional Economic Strategies and/or Action Plans and Frameworks, as well as activity around the City Region and Growth Deal Programme.

1.2.4 Paper Three: International Perspective: offers an international comparison, looking at countries who, along with Scotland, have ambitions to create a Wellbeing Economies, including comparable Nordic economies. The paper identifies best practice and policies that may benefit Scotland in taking an intentional approach to building a Wellbeing Economy through regional working.

1.2.5 Paper Four: Recommendations: concludes this Review with a series of recommendations that highlight innovative approaches, supports regional autonomy and suggests how Scottish Government and regional partners can collaborate in creating a Wellbeing Economy.

1.3 Background

1.3.1 It is sensible to take stock of how regional economic policy is being delivered in the current complex economic context. We must also consider what approaches might be taken by Scottish Government to create a positive environment to deliver regional economic success.

1.3.2 To set the scene, it is worth summarising the various commitments to working on a regional basis by the Scottish Government.

1.4 National Strategy for Economic Transformation

1.4.1 The Scottish Government published NSET in March 2022, recognising the opportunities and the challenges facing Scotland and setting out how, over the next ten years, the Scottish Government aims to deliver economic growth to enable greater prosperity, productivity and internationally competitiveness. Scottish Ministers want an economy that benefits the wellbeing of people and the environment.

1.4.2 There are references to regional economic development throughout NSET, but the chapter on Productive Businesses and Regions clearly marks a stronger emphasis from the Scottish Government regarding the role they envisage for regional economies. The strategic work of existing and emerging Regional Economic Partnerships (REPs) and the catalytic investment via City Region and Growth Deals are highlighted as a core contributor to driving the transformation of the Scottish Economy.

“City region and regional growth deals are being delivered across the country through a partnership of national and local government and other regional players including higher and further education, enterprise agencies, and the voluntary and private sectors. These have inspired the development of a growing network of new Regional Economic Partnerships across the country that have an increasingly important role in increasing productivity and driving innovation on a regional basis.”

“Scotland’s Regional Economic Partnerships bring together key economic actors to enhance regional interests, focus and align resources, sharing knowledge and expertise. This partnership working results in nuanced economic strategies and related action plans that will accelerate economic prosperity.”

NSET, p.32 – 34

1.4.3 If regions identify and exploit their economic strengths, leaning into the sectors most associated with their regions and new sectors in which regions have competitive advantage, this will maximise productivity for the region, in turn boosting productivity for the whole of Scotland and opening up inward investment opportunities. To do this it is vital that the regional strategies link to Regional Investment Prospectuses which set out each region’s offer to national and international business.

1.4.4 NSET also makes clear the Scottish Government’s ambition to reduce regional disparities, both within and between Scotland’s regions. This is a strong message in the chapter on Productive Businesses and Regions, which states:

“Scotland has closed the productivity gap with the rest of the UK in recent years, but our productivity performance remains below that of other small advanced economies. Our productivity performance varies across different sectors and there are long-standing regional inequalities with regional differentials in GVA per capita and a range of other indicators of a wellbeing economy including quality of jobs or public services, the health of citizens, the index of multiple deprivation and child poverty. We need to boost productivity across the whole economy.”

Going on to note:

“It is vital that every region in Scotland benefits from, and contributes to, a more productive and innovative economy. Every part of Scotland has unique strengths, assets and opportunities and all businesses and communities, rural and urban, can bring innovation and creativity and support the resilience of

the economy. This strategy intends to work with businesses, public bodies and citizens in every part of Scotland to ensure that local economic plans reflect the greatest economic opportunities for communities.”

NSET p.32

1.4.5 REPAG agrees with the logic behind the principle of linking regional strengths with boosting productivity. It suggests that regional growth can be enhanced by carrying out deep and comparative analyses of the regional structural barriers to growth and investment, mapped against the NSET priorities of Entrepreneurial People and Culture; New Market Opportunities; Productive Businesses and Regions; Skilled Workforce, and; A Fairer and More Equal Society.

1.5 City Region and Growth Deals & Regional Economic Partnerships

1.5.1 The Scottish Government currently supports regional working through investing £1.9 billion in the City Region and Growth Deals Programme and committing to supporting the establishment of Regional Economic Partnerships³.

1.5.2 Detail on the City Region and Growth Deal programme, how it functions and what it is delivering can be found in Paper 2. In short, the programme is a long term financial and strategic commitment between the Scottish Government, the UK Government, local authorities, and other regional partners.

1.5.3 Beginning in 2014 with the Glasgow City Region Deal, the programme has expanded so that every local authority is now part of either a City Region Deal or a Growth Deal. Whilst the majority of Deals are delivered at a regional level, this is not the case for all with some being a single local authority e.g., Falkirk, or Argyll & Bute.

1.5.4 As with the Deals Programme, detail on Regional Economic Partnerships (REPs) can be found in Paper 2. To summarise, the background to REPs is embedded in the Enterprise and Skills Review (2017) Phase 2 Report which committed Scottish Government to enabling and encouraging the development of Regional Economic Partnerships across Scotland.

1.5.5 Emerging out of the cross-boundary and multi-organisational governance arrangements for the City Region and Growth Deals, eight REPs have self-assembled throughout Scotland, each focused on establishing a nuanced strategic economic vision for their region.

1.5.6 REPAG are aware of the varied nature of REPs, in part due to differing priorities and levels of maturity. This may also be as a result of a lack of clarity on the expectation from Scottish Government on what a REP might achieve, how they can contribute to national aims, and what the funding implications might be. This review, and Scottish Government's response to it, will show how explicit support from the Scottish Government regarding regional working will strengthen the will of regional partners to identify and take forward transformative strategies of this scale whilst achieving a reduction in regional inequality.

³ Not all regions wish to use this term to denote their collaborative working, but this review and the Scottish Government use Regional Economic Partnerships (REPs) as a universal term.

1.6 Place Principle

1.6.1 In 2019, the Scottish Government and COSLA agreed to adopt the ‘Place Principle’⁴ to help overcome organisational and sectoral boundaries, to encourage better collaboration and community involvement, and to improve the impact of combined energy, resources and investment.

1.6.2 The principle was developed by partners in the public, private and third sectors and communities, promoting a shared understanding of place, and the need to take a more collaborative approach to a place’s services and assets. The principle encourages and enables local flexibility to respond to issues and circumstances in different places.

1.6.3 Whilst a useful tool in terms of policy development, “place” has a different meaning depending on the context and audience, and often refers to local levels. However, the place principle can also apply to larger geographies such as a region, and we see it applied in this way in a number of Scottish Government policy areas that are inherently linked to economic development, e.g. Transport, Planning, Land Use Partnerships, Natural Capital and the link to the National Mission on Child Poverty. These will be explored further in this Paper.

1.7 Political Landscape

1.7.1 Part of the rationale for this review stems from the collective economic impact caused by a complex environment of political, constitutional and policy shifts across the UK, and between the Scottish and UK Governments. The UK’s exit from Europe, the introduction of the UK Government’s Internal Market Act and implementation of wider Levelling Up Agenda (including their approach to replacing EU Structural Funds) represents a significant change in how the Scottish economy functions, how and where funding decisions are made, and where it is targeted.

1.7.2 Whilst the pandemic has profoundly altered Scotland’s economy, The Office for Budgetary Responsibility⁵ predicted that even greater and longer-term damage will be inflicted by Brexit:

“...the strength of the rebound in demand in the UK and internationally has led it to bump up against supply constraints in several markets. In the UK, these supply bottlenecks have been exacerbated by changes in the migration and trading regimes following Brexit. Energy prices have soared, labour shortages have emerged in some occupations, and there have been blockages in some supply chains.”

OBR: Overview of the October 2021 Economic and fiscal outlook

⁴ [Place Principle](#)

⁵ [Overview of the October 2021 Economic and Fiscal Outlook](#)

1.7.3 Unfortunately we see these predictions realised in the Cost of Living and doing Business Crisis, and NSET recognises that the Scottish Government does not have the fiscal levers to mitigate many of these impacts:

“But with the full powers of an independent country we can, of course, deliver more. At present, macro-economic, fiscal, migration and other levers lie with the UK Government. We cannot ignore that fact when pursuing economic prosperity, nor that even the limited powers we currently have are being steadily eroded through the Internal Market Act. The economic prospectus for an independent Scotland is being prepared ahead of an independence referendum and will set out how those additional powers can be deployed to build greater prosperity over the long term.”

NSET, p. 4

2020 UK Internal Market Act

1.7.4 Part 6 of the UK Internal Market Act⁶ (January 2021) gives powers to UK Ministers to decide how public money is spent in devolved policy areas spanning culture, sport, education, economic development and infrastructure. This is a fundamental change which undermines a central principle of devolution: the clear split of governmental responsibilities that was established in 1999. The new powers allow the UK Government to bypass devolved decision making, overriding established processes for allocating spending in Scotland.

1.7.5 The Act has enabled the UK Government's Levelling Up Agenda which emphasises reducing regional disparity and uses a suite of funds in an attempt to redress these disparities.

Replacement of EU Structural Investment Funding

1.7.6 The importance of regional disparity was also highlighted during a nationwide consultation conducted jointly by the Scottish Government and the [Regional Economic Policy Advisory Group](#) (REPAG), which looked at the replacement of EU structural funding programmes following Brexit (UK Shared Prosperity Fund – UKSPF). The 2020 Bell-Bachtler Report⁷ demonstrated a strong stakeholder preference that UKSPF should enable communities across Scotland to develop and deliver activity that would treat disparity within and between different parts of Scotland.

1.7.7 Noting the potential strategic value in REPs, it was concluded that UKSPF ought to flow through the Scottish Government to REPs to disburse, giving REPs multi-year funding to support the strategic work they lead on.

1.7.8 However, using the Internal Market Act, the UK Government has chosen to issue most funding under the Levelling Up Agenda direct to single Local Authorities. In their UKSPF prospectus, UK Government opted for a loose delivery model allowing for both regional and single local authorities to submit Investment Plans. On a practical level, however, the timescale to submit those plans was too restrictive

⁶ [An introduction to the UK Internal Market Act](#)

⁷ [Scottish Replacement EU Structural Funds](#)

to allow for regional scale projects to be considered and agreed, resulting in the majority of plans submitted by single Local Authorities. This has undermined rather than strengthened efforts to encourage regional working, though REPAG notes that there is willingness from regional partners to move towards using REPs over time.

1.8 Public Sector Reform

1.8.1 In 2010 a commission to develop a 'road map' for the reform of public service delivery in Scotland was set up. It was anticipated that any recommendations would inform work to reform public service delivery over the subsequent 5-10 years.

1.8.2 The Commission looked at a number of areas, including how public services might achieve positive outcomes for the people of Scotland, the organisational arrangements for delivering effective services, and the values and ethos required to underpin Scotland's public services.

"While public services do not determine the nature of Scottish society, they both reflect the ethical foundations of that society, and help to shape its development."

Christie Report, 2011

1.8.3 The Report⁸ was ambitious, with a number of key elements to support a programme of public service reform and improvement recommended for Scottish Government, local government and other partners and stakeholders to take forward.

1.8.4 Two key objectives of reform were intended to ensure that:

- public services are built around people and communities, their needs, aspirations, capacities and skills, and work to build up their autonomy and resilience; and
- public service organisations work together effectively to achieve outcomes – specifically, by delivering integrated services which help to secure improvements in the quality of life, and the social and economic wellbeing, of the people and communities of Scotland.

1.8.5 There was recognition of the benefits from collaboration on a regional basis; working with national, regional and local organisations was preferable to working independently from one another. The Christie Report placed responsibility for achieving this with Scottish Government, noting that "All relevant public bodies should participate in the preparation of a joint long-term asset management plan under the aegis of each local community planning partnership, based on a shared assessment of the current condition of their assets"⁹.

1.8.6 Ten years on from publication Scotland's Auditor General reviewed the Report's impact¹⁰, in 2021. Whilst noting that Scotland remains a country of inequalities there was recognition that the Community Empowerment Act¹¹ has strengthened community voices in decisions about public services. It's also

⁸ [Christie Commission](#)

⁹ [Christie Commission](#) p. 74

¹⁰ [Audit Scotland - Christie Commission 10 Years On](#)

¹¹ [Community Empowerment Act Scotland Summary](#)

acknowledged that “the Third Sector can feel like a poor relation to mainstream public services ... many community groups still feel that barriers are put in their way to taking part in changing services for the better”.

1.8.7 As a result of the consultation¹² with Scottish Government and regional stakeholders¹³ on current regional working, and ambitions for the future, this review may also help provide a picture of how well regional working is contributing to valuable collaboration as identified by the Christie Report.

2. Definitions

2.1 Context

2.1.1 To ensure some shared understanding it is necessary to frame the discussion by setting out agreed definitions for key terms; region, economic development, Inclusive Growth and the Wellbeing Economy.

2.1.2 These definitions are not intended to be absolute; REPAG understand that there are other interpretations across different nations, organisations and even within different policy areas in Scottish Government and UK Government. However, in order to be clear about what it is we are referring to in the context of this review, we offer up the following.

2.2 Defining Region

2.2.1 A fundamental definition discussed with all those consulted for this review was how to define a region, which led to some revealing conversations regarding the impacts of the boundaries drawn as a result of different understandings, policies and drivers.

2.2.2 There are a wide variety of regional boundaries, carved out on the basis of functionality, political boundaries, legislative basis¹⁴ and existing governance structures¹⁵. It will suffice to say that few policy areas within Scottish Government use the same boundary when they refer to a region, and structures that have been established to deliver policy at a regional level do not necessarily overlap with other existing structures.¹⁶

2.2.3 This creates onward challenges for those undertaking regional work, whether developing Governance, Regional Economic Strategies, disbursing funding, or responding to reporting, monitoring and evaluation requirements. It can also cause difficulties when engaging with and between stakeholders, being summarised in the following stakeholder comments:

- “there are so many different variations on “regions” that it’s another complexity we have to engage with.”

¹² The full set of questions for the consultation can be found in Annex B.

¹³ A list of respondents can be found in Annex A.

¹⁴ Regional Spatial Strategies in spatial planning have a statutory basis in the 2019 Act, with Local Authorities being required to prepare them, and Regional Transport Partnerships are also defined in legislation.

¹⁵ City Region and Growth Deals and REPs.

¹⁶ [Regional Transport Partnerships](#)

- “there is no one consistent approach to regionalisation. The complexity of different approaches to Regional Economic Partnerships, Strategies and Skills Investment Plans makes consistent and strategic engagement challenging.”
- “different boundaries means different partners which makes it difficult to bring them all together; a big benefit would be to have consistency across regions”.

2.2.4 Whilst ‘region’ often refers to a specific geographical area, historically, it was the official term given to defined Council wards in Scotland following enactment of the Local Government (Scotland) Act 1973, e.g. Strathclyde Regional Council. When the Local Government (Scotland) Act 1994 replaced the collection of regions and districts with 32 unitary local government areas, the definition of region from an economic policy perspective became opaque and open to interpretation. Whilst the creation of City Region and Growth Deals, and REPs have helped demarcate boundaries to some extent, there remains many variables with an unhelpful lack of consistency.

2.2.5 Given some boundaries are statutory, REPAG suggests Scottish Government refine and enhance their understanding of functional economic geographies and support engagement with existing governance structures such as REPs rather than creating new ones in different policy areas.

2.2.6 Though we are acutely aware that there are several ways to define a region, and notwithstanding the above observations relating to the different established boundaries, given the perspective of this review we will consider a region defined by its economic functions; the travel to work (and learn) area¹⁷. This definition would be largely reflected in the eight REP areas¹⁸.

2.2.7 It is worth noting REP geographies can be comprised of multiple travel to work areas, with a shared understanding of challenges and opportunities. These boundaries are intended to be helpfully porous depending on function, and are set and agreed by regional partners themselves.

2.2.8 The above understanding of region can play into the wider discussion around place-based policy making where “place” can also refer to regions, and taking a holistic look at an area seeking to address all its needs within a given boundary.

2.2.9 As stated, this definition and understanding is based on a functional economic geography, and does not intend to usurp local actors, or seek to dictate the

¹⁷ Of course it is worth noting that the pandemic has altered the working environment with more working from home either all or part of the time. This makes the travel to work (and learn) areas less rigid in real terms

¹⁸ We ought to be careful not to overstate the formality of these regional identities, however, and don’t intend to declare each region a REP by defining a region in this way. The Scottish Government understands that some REPs are more developed, and that collaborative working exists where a formal REP has not yet been declared. However, for the purposes of brevity, we shall refer to such collaborations as REPs in this review.

boundaries for REPs, noting that they are locally led and self-assembling. Continuing this, our emphasis on the regional dimension does not seek to subsume agendas and policies that are specific to cities or towns, rural or island areas, though each of them would be included in a region.

2.3 Defining Economic Development

2.3.1 Economic development is understood in a fairly broad sense - as interventions and enabling activity that seeks to support inclusive economic growth. As SPICe note in their briefing paper Economic Development in Scotland:

“There is no single agreed definition of economic development, but it can include targeted investment in, and running of, infrastructure, investment in skills and training, and support for marketing, promotion and network building. These interventions can have various purposes, including improving productivity, encouraging ‘greener’ activity, supporting innovation, generating more exports, promoting start-ups, encouraging inward investment, and getting people into good quality jobs”.

2.4 Defining Inclusive Growth

2.4.1 By inclusive economic growth, we remain consistent with the Scottish Government definition that this is growth that combines increased prosperity with greater equity; creates opportunities for all; and distributes the dividends of increased prosperity fairly.¹⁹

2.4.2 While reference is still made to inclusive growth within Scottish Government policy making, it is now set within the context of the Wellbeing Economy, which is increasingly used as the central economic ambition with clear links to the National Performance Framework of the Scottish Government. The justification for this centrality is that it extends economic considerations of inclusive growth beyond that of human wellbeing, to also include the environment and wellbeing of the planet.

2.4.3 In an attempt to evaluate how inclusive economic growth has been, the [Scottish Hub for Regional Economic Development](#) (SHRED)²⁰ published a set of metrics to measure outcomes, based on agreed and consistent indicators. These included a range of outcomes that cover Productivity, Population, Participation, People and Place. It is possible for regional partners to develop an Inclusive Growth Diagnostic based on the data gathered within SHRED, however, whilst this offers regions a baseline by which to judge progress, it is for regional partners to determine how to go about improving on those metrics. The data also supports partners identify inequalities within and between regions.

2.5 Defining Wellbeing Economy

2.5.1 Scottish Government defines a Wellbeing Economy as an economic system, within safe environmental limits, which serves and prioritises the collective wellbeing of current and future generations.

¹⁹ [Inclusive Growth](#)

²⁰ Formally Scottish Centre for Regional Inclusive Growth.

2.5.2 Scotland was a founding member of the Wellbeing Economy Governments (WEGo) group in 2018, which also includes New Zealand, Iceland, Wales, and Finland, with Canada taking part and formally invited to join. The group seeks to move the concept of wellbeing from theory into practice by facilitating collaboration and the sharing of expertise and transferable policy among governments who have a shared ambition of delivering wellbeing through their economic approach.

2.5.3 Scotland's emphasis on inclusive growth has developed through the intentions set out in the National Performance Framework, first introduced in 2007. This provides a clear long-term purpose and set of outcomes for Scotland's future wellbeing, and is the vehicle for delivery of the United Nations Sustainable Development Goals. To align with this, the National Strategy for Economic Transformation sets Scotland's vision for a wellbeing economy to deliver economic prosperity and wellbeing for all Scotland's people while respecting environmental limits embodied by relevant climate and nature targets.

2.5.4 The national level Wellbeing Economy Monitor was published in June 2022. It includes measures such as preventable deaths, fair work indicators, child poverty, greenhouse gas emissions and biodiversity. The Scottish Government is now working to develop a local level version of the Wellbeing Economy Monitor to support its rollout of the Wellbeing Economy Framework.

2.5.5 Learning some lessons from SHRED, it is important that we ask here who the audience is for the Wellbeing Economy Monitor; who will access and use the data, how will the Scottish Government encourage private sector to consider these impacts and outcomes when they are pushing to improve on productivity? How will it influence decision making, and how money is spent? Given that NSET talks of a whole systems approach and collective endeavour, REPAG are keen that the Scottish Government ensure they bring everyone along with them and take an active role in ensuring regional partners make use of the new Monitor and its metrics.

2.5.6 They may specifically wish to consider how REPs would make use of the Monitor when measuring the success of their Regional Economic Strategies, thereby making a direct link between regional endeavour and national ambition. It is important to note that it may be challenging to determine attribution, particularly where metrics are slow to move, however the value of shared reporting and measuring across appropriate metrics still justifies sensible steps being taken to work towards this goal.

3. Scottish Government Delivery Strategies and Frameworks

3.1.1 The Scottish Government has developed a range of longer-term Strategies and Frameworks responsible for steering policy delivery and, where appropriate, funding. It is encouraging that all have been developed with the close involvement of a number of regional stakeholders, e.g. Enterprise Agencies, Third Sector, business leaders, as this supports delivery. It is important that the delivery of these various strategies is cognisant of the need to link shorter-term priorities with the long-term objectives, and don't lose sight of the need to align activity appropriately to avoid contradictory or disjointed economic interventions.

3.1.2 Summarised below are just some key strategies and frameworks which align with the delivery of economic policy activity. Annex E contains a fuller list, with links.

3.2 National Strategy for Economic Transformation

3.2.1 As noted above, the National Strategy for Economic Transformation (NSET) is a 10 year strategy aimed at providing a route to building a strong economy. It seeks to achieve good, secure and well-paid jobs and growing businesses, maximising Scotland's strengths and natural assets to increase prosperity, productivity and international competitiveness. Its overarching vision is that by 2032 Scotland will be a wellbeing economy, thriving across economic, social and environmental dimensions.

3.2.2 NSET seeks to address the deep-seated regional inequalities that exist in Scotland and the particular challenges that face some of its regions. Scotland has rural and island regions with declining populations and reduced labour supply; while there are urban areas facing housing shortages and overwhelmed infrastructure.

3.2.3 If the Scottish Government is to be successful in achieving its vision of a wellbeing economy which thrives across the barriers that exist currently, then these regional inequalities must be addressed. One approach to this is the specific NSET action involving the introduction of Community Wealth Building legislation that builds on the successes and learnings of all of the Scottish Government Community Wealth Building local and regional pilot areas in urban and rural Scotland.

3.2.4 It follows that to achieve the ambitions of NSET and tackle regional inequalities, strong regional collaboration will be needed. NSET acknowledges the importance of Regional Economic Strategies and Investment Prospectuses to build on the strengths within regions and address the weaker elements of the regional economy.

3.2.5 There is a commitment that Scottish Government will work with regional partners to ensure that every region has a REP, or collaborative equivalent, in order to encourage collaboration between key economic actors.

3.2.6 Furthermore there is a commitment that Scottish Government support the development of Regional Economic Strategies and recovery plans in order to allow REPs to make long-term, strategic plans that address the strengths and weaknesses within their region; promoting and adopting change that will have a substantial impact on the region. These strategies serve as an agreed foundation with clear

priorities that future inward investment and both Scottish and UK Government can support.

3.2.7 By having REPs lead on and own their strategies, the Scottish Government is acknowledging the importance of regional autonomy, and need for horizontal accountability. REPAG believe that this model of accountability should be fully supported by the Scottish Government.

3.3 National Performance Framework

3.3.1 The National Performance Framework (NPF), Scotland's north star of delivery frameworks, aims to create a more successful country with reduced inequalities via sustainable and inclusive growth. NPF sets out the kind of country the Scottish Government wants to create, steering the public sector, individuals and organisations across the private and third sectors towards this. It was initially published in 2007 but a programme of continuous improvement exists to ensure that it remains relevant.

3.3.2 To achieve the aims of NPF, a number of National Outcomes exist that address many facets of life in Scotland – from the economy to the environment. The National Outcomes straddle a number of different policy areas with effort required from national and local government alongside voluntary groups and businesses in order to achieve them.

3.3.3 Success against the Outcomes is measured via the National Indicator Performance with some indicators broken down to a regional level (skills and economy). As we have seen through our consultation there are a number of policies that recognise the benefit of working regionally to help deliver these outcomes. These will be discussed further in Paper 2 of this review.

3.4 Child Poverty (Scotland) Act 2017

3.4.1 The Child Poverty (Scotland) Act 2017 sets in statute ambitious income-based targets to significantly reduce levels of child poverty in Scotland by 2030. The Act requires three national delivery plans to be published (in 2018, 2022 and 2026) setting out action to drive progress against the targets. In addition, progress reports require to be published annually by Scottish Ministers and jointly by local authorities and health boards.

3.4.2 As set out in 'Best Start, Bright Futures', the second Tackling Child Poverty Delivery Plan for the period 2022-26, progress toward the targets which will be achieved through action focused on the three drivers of child poverty reduction – increasing earned incomes, reducing costs of living and increasing income from social security.²¹

3.4.3 A 2022 study²² of Regional Economic Development and child poverty found that whilst child poverty is recognised as a problem and is of relevance to the

²¹ Progress toward the targets is assessed annually through published statistics and changes in the drivers of poverty reduction are assessed through the Child Poverty Measurement Framework. Action is also taken to monitor the delivery, and evaluate the impact of individual policies.

²² Commissioned by Scottish Government, and carried out by SPIRU, due to be published on the Scottish Government website in the Autumn,

economic development agenda, it is not seen as a headline issue or the primary focus of work being taken forward by regional partners. Researchers noted that:

“reducing child poverty is on the agenda of REPs and there is movement in the right direction in regional and local economic regeneration policy in Scotland, however, while the sentiments and terminology of inclusion are expressed there has been no corresponding reorientation yet in how economic development is conceptualised and in how it is delivered so that the significant resources devoted to regeneration are applied intentionally to reduce child poverty.”

3.4.4 Many issues critical to tackling child poverty will be considered at a regional level, including the likes of transport and skills. Child poverty should be seen as a specific focus and outcome for regional economic development across Scotland, with consideration given to how measures can be assessed as impacting on child poverty and outcomes for families in respective areas.

3.5 Programme for Government

3.5.1 The Scottish Government publishes its Programme for Government (PfG) annually which outlines the short-term priorities and what actions will be undertaken to address these.

3.5.2 Both 2021-22, and 2022-23 PfG contain a regional narrative which identifies policy areas and ambitions that are served well at a regional level. As a result, there is a repetition of the commitment to ensure all of Scotland has a REP, but REPAG must highlight that this amounts to an ask of regional partners without any offer of support to resource and build capacity, and as such Scottish Government must either manage expectations regarding how much REPs can achieve, the scale of ambition they have for them, and/or examine how better to use existing funding that flows into regions through disparate pots to encourage improved and shared outcomes.

3.6 Infrastructure Investment Planning

3.6.1 Published in February 2021, the Infrastructure Investment Plan is a £26 billion programme²³ aspiring to promote a diverse, productive, net zero economy across Scotland by means of innovative projects. The plan is built upon the 2019 Infrastructure Commission for Scotland which established recommendations – notably concerning transport and place-based policy – which are integral to fair and green economic development.

3.6.2 Similar to other major plans, these are influenced and directed by stakeholders across numerous sectors. Through this initiative it is planned, at both regional and national levels, that Scotland will have a sustainable economy and be recognised as growing and internationally competitive by providing jobs, educational opportunities and enhanced entrepreneurship.

²³ Currently in its second year, the Infrastructure Investment Plan will act as a blueprint for structural and economic progression, with projects intended to be completed by financial year 2025-26.

3.6.3 Projects are underway, including the A77 Maybole Bypass and Dunfermline Learning Campus development, crucial to enhancing Scotland's productivity and skillsets in the workforce. In the context of the Covid-19 pandemic and cost of living crisis, this investment plan could contribute to a focused and intentional approach to ensuring Scotland's regional economies build resilience whilst encouraging room for growth and evolution to demands and changing industries. However, this requires careful link-up between relevant policy areas within Scottish Government to ensure pipeline of projects aligns with regional strategies and national economic aims.

3.7 Spatial Strategies

3.7.1 The [Planning \(Scotland\) Act 2019](#) established a duty for a planning authority, or authorities acting jointly, to prepare and adopt a regional spatial strategy. These are long-term spatial strategies which specify the area/s to which they relate, and identify:

- the need for strategic development;
- the outcomes to which strategic development will contribute;
- priorities for the delivery of strategic development; and
- proposed locations, shown in the form of a map or diagram.

3.7.2 Prior to this, regional planning was based on Scotland's four Strategic Development Planning Authorities: Glasgow and Clyde Valley; South East Scotland [SES] plan; Tay Cities; and Aberdeen City & Shire. It became clear that this arrangement failed to recognise that 'strategic planning' was occurring in other policy areas e.g. through Economic Development (City and Regional Growth Deals), Transport planning (Regional Transport Partnerships), Infrastructure Investment Plan (Cross boundary investment), and did not make it easy to bring these various activities together.

3.7.3 Whilst the new duty is yet to be enacted, the review of the National Planning Framework (NPF4) presented an opportunity to develop early thinking on Regional Spatial Strategies to help inform the preparation of the NPF4 and make effort to better align.

3.7.4 Authorities were encouraged to work to consider how they might self-assemble to consider the preparation of early 'indicative Regional Spatial Strategies' (iRSS) prior to enactment of the new duty (anticipated to be by end 2022). A total of 15 iRSS groupings have formed based on: existing groupings (e.g. Clydeplan, SESplan, etc.); existing administrative arrangements (e.g. National Park Authorities; Island Authorities); large, complex, and diverse authorities presenting a strategic overview (e.g. Argyll and Bute, Highland); Growth Deals (e.g., Ayrshire, Moray), or new and emerging arrangements (e.g. Forth Valley, South of Scotland).

3.7.5 The collaborative input of the iRSS groupings has helped to inform the draft NPF4 and specifically the 5 Action Areas as described in the Draft NPF4 spatial strategy.

3.7.6 However, REPAG would like to be clear that, given the aim of better alignment, the Scottish Government should have taken the opportunity to overlap more with existing and emerging REP boundaries.

3.7.7 As a final note relating to all of the above in this section, the Scottish Government can at times develop these high-level strategies with positive aims and ambitions, but with insufficient note of existing boundaries and structures. There would be merit in Scottish Government improving alignment between policy and funding decisions and impact on delivery bodies. In addition, given the appetite for monitoring and evaluation, Scottish Government ought to improve upon including measureable, and shared, objectives so as to be clear on how their success will be quantified.

3.8 Scottish Government Policy Operating Regionally

3.8.1 The consultation engaged with a number of Scottish Government's policy teams to better understand their views on how regional working is currently being delivered and how it might be beneficial. The focus was on those policy areas that enable economic development such as transport, housing, land-use, planning, digital economy, Community Wealth Building and skills.

3.8.2 Our consultation revealed an optimistic and shared perspective between several²⁴ policy areas that there are opportunities to better align with regional strategic work and decisions across current and future strategic infrastructure investment programmes. Almost all of the policy areas who contributed to the consultation were keen to work with REPs and saw clear paths to how their various activities could be better involved with them and the development of Regional Economic Strategies.

3.8.3 Whilst it is not the Scottish Government's role to dictate and deliver Regional Economic Strategies, regional work must by its nature be taken forward collectively. Our consultation makes it clear that more effort needs to be made by the Scottish Government to support the regional structures and decision making bodies that can be used to drive forward new policies of regional scale. This view is particularly strong among regional partners.

3.8.4 Another shared preference among internal and external consultees was that this review does not add to the clutter but instead structures such as REPs are strengthened and their scope and membership include priority economic enablers for that region, to defend against further clutter and confusion.

3.8.5 We've already seen some economic enablers embrace the regional structure. For example, Land Use policy officials noted that by working at the regional as well as national level, their Regional Land Use Partnerships (RLUPs) pilots will be able to properly engage with the wide and complex range of land use stakeholders. There is no one-size-fits-all model across Scotland's regions, and so their view is that a regional approach is appropriate.

3.8.6 Given RLUPs and REPs shared scope, REPAG would welcome RLUPs, and other related policy delivery vehicles to work closely with REPs, bringing more cohesion to future work and potentially (eventually) aligning boundaries.

²⁴ Economic Development; Transport; Just Transition; Digital Economy; Skills; Further and Higher Education; Population; Rural; Towns and Cities; Planning and Land Use; Community Wealth Building; Child Poverty; Natural Capital; and Blue and Green Infrastructure.

3.8.7 Relatedly, Regional Spatial Strategies²⁵ will be a key vehicle for bringing together a wide range of regional priorities in order to support join-up and provide a long-term spatial vision for each area.

3.8.8 In terms of Transport, it is a statutory function of each Regional Transport Partnerships (RTPs) to have a Regional Transport Strategy (RTS). Taking their overall cue from the National Transport Strategy, each RTS must take account of the differing strategic needs in the RTP area and look for opportunities to make improvements.

3.8.9 Whilst transport and planning are economic enablers, cities and large urban settlements have a role as economic drivers for their regions. Policy for cities focuses on their specific needs as a type of place (e.g., the impact of Covid on the amount of footfall in city centres), whichever region they are in, with the existing policy role being to support the benefits of collaboration between cities on the challenges and opportunities that fall disproportionately on large urban areas.

3.8.10 While we know that cities and towns play a significant role in their regions, the strengthened focus in NSET on productive regions calls for a greater clarity on what this role looks like and how the Scottish Government can best promote and strengthen it, especially when spend catchment areas do not necessarily map onto existing REPs, and there will be some instances where working across boundaries to leverage maximum benefits will be important for Scotland's economy²⁶.

3.8.11 Another policy area that has to work across boundaries in order to link to regional strategic planning is housing. Delivered and funded entirely at a local level, regional partners have noted that the impacts are often felt at a regional level. Additional housing requirements within the wider travel to work areas is becoming a key inhibitor for some regional economies, both urban and rural, with stock not matching demands. Legislation and funding prevents a regional approach yet clearly it's a strategic consideration for stakeholders, and will likely feature in considerations for Regional Economic Strategies.

3.8.12 Helpfully, there are examples of where traditionally local policy areas have scaled up to the regional level. The Scottish Government has embraced the Community Wealth Building (CWB) approach to economic development as a key tool to transform local and regional economies.

3.8.13 Seen as a practical way to achieve wellbeing economy objectives outlined in NSET by transforming the Scottish economies purpose and functionality, the development of legislation currently underway will underpin this commitment. There are good examples of collaboration with Community Planning Partnerships, Local Authorities, and at a regional level via REPs. CWB Action Plans are being developed in pilot locations: Clackmannanshire, South of Scotland, Western Isles, Tay Cities/Fife and Glasgow City Region, and there is £3 million committed to Ayrshire Growth Deal to advance CWB.

²⁵ Required to be produced and updated as a result of the Planning (Scotland) Act 2019

²⁶ One example is collaboration between cities to better compete on a UK and international stage. Another is tackling challenges that are specific to the type of place, rather than the geographic region in which they are located; for instance, action to transition to Net Zero

3.8.14 For newer policy areas, such as Just Transition, policy officials have noted a welcome intention to work with the eight existing REPs. Although work is very much in development, it is anticipated that Regional Just Transition plans²⁷ will likely stand more distinct from specific national sector and local site plans, Just Transition policy officials understood that there may need to be regional references within sector plans, given the lead some regions take in specific sectors. In an effort to empower regional-level planning, Just Transition officials are scoping the opportunity for REPs to be involved in the plans, given that they represent a coalition of public, private and third sectors as a single forum for engagement.

3.8.15 Digital Economy represents another policy area where value could be added as a result of including at least some aspects of digital economy in the kind of strategic regional work carried out by REPs, or their equivalents. There is currently no regional dimension to digital economy policy in the Scottish Government, however, where digital adoption is identified as a core driver to boosting productivity within a region, as it is in NSET in the Productive Business and Regions Programme, it is clearly of value that the Scottish Government consider how to work with regional partners to support deliverable strategic activity that realises this ambition.

3.8.16 Digital Economy have referred to data that has been collected through the Digital Boost programme that could be assessed at a regional level. This data would aid discussions around what businesses need in terms of digital adoption, how they use that technology, and any barriers to further development, within any given region.

3.8.17 We ought to note here the launch of Tech Scalars, associated with the work carried out by Mark Logan on behalf of the Scottish Government, which have a place based association. Though the work and aims of the Tech Scalars has not formally acknowledged regional structures or relevance, there may be scope to do so, particularly if REPs are able to strengthen their identity as the regional forum to engage with on a strategic level.

3.8.18 Finally, worth noting that in Scotland, there are 4 Enterprise Areas (EA's). First established in 2011, the policy aim is to support the most dynamic industries to create new employment opportunities, stimulate private investment and boost growth. Each EA has a clear sectoral focus to enable them to create and foster knowledge clusters. They focus on: Life Sciences; Low Carbon/Renewables North; Low Carbon/Renewables East and Manufacturing and Growth Sectors.

3.8.19 There are currently 16 geographically dispersed sites across the 4 EAs which have access to a package of financial and non-financial measure including: Non Domestic Rates Relief, streamlined planning processes, sector specific international promotion and marketing provided by Scottish Development International, and skills and training support provided by Skills Development Scotland. With a fresh emphasis on the potential of Enterprise Areas from the UK Government, it will be

²⁷ It is important to note that these are distinct from the Just Transition Fund, which also occupies a regional boundary, relating only to the North East and Moray

interesting to see whether and how these areas are used by central Governments as another instrument of economic development.

3.8.20 In summary, if successful in strengthening the identity of REPs and bringing together Scottish Government policies under their strategic work, a fundamental shift may take place, whereby this improves alignment of relevant economic development policies not just within the REP but across Scottish Government.

3.8.21 A huge benefit of this could be that policy makers begin to work more closely not just in terms of design, but also in terms of funding – using REPs to flow related funding streams through to achieve shared outcomes.²⁸ This improved alignment would support REPs in their strategic economic planning, looking at enablers and levers, constraints and barriers as much as developing statements of intent. This is a view shared by respondents to our consultation:

“Through the Regional Prosperity Framework, partners are trying to guide and integrate public, private and third sector decisions, actions, collaborations, strategies, policies and investments across areas such as sustainability, climate change, energy, transport, planning, housing, infrastructure, well-being, economic development, and delivery. This is challenging due to the timing misalignment of new and refreshed national strategies which impact these areas. Greater alignment on national strategies and policies would be helpful.”

²⁸ More will be said on this in Paper Two as we look at different regional approaches to economic development; each and every one of the regional partners we spoke with as part of this consultation cited the capacity challenges brought about by (both UK and Scottish) Government’s misaligned and demanding funding landscape exacerbated by policy areas not collaborating effectively.

4. Delivery of Economic Development in Scotland

4.1 Current Context

4.1.1 In addition to Scottish Government, there are a number of bodies involved in the delivery of economic development across Scotland²⁹:

- Local Government and Community Planning Partnerships
- Enterprise Agencies
- SCDI
- Scottish Futures Trust
- Business Gateway
- Skills Development Scotland
- Scottish Funding Council
- Transport Scotland: Regional Transport Partnerships
- Third Sector
- City Region and Growth Deals
- Regional Economic Partnerships

4.1.2 As NSET sets out, over the next decade, the Scottish Government looks to promote a wellbeing economy supporting socioeconomic recovery in a context strongly characterised by challenges like Covid, the cost crisis, child poverty and reducing regional inequalities.

4.1.3 Through a variety of strategies and action plans the Scottish Government contributes expertise, research and funding in order to effectively fulfil three key ambitions: for Scotland to be fairer, wealthier, and greener. However, many respondents to the consultation were clear that the present scene in Scotland is one of a ‘cluttered landscape’³⁰ despite several attempts made to review policy and delivery³¹.

4.1.4 This clutter has been added to since Covid, with additional business support being initiated and delivered through the Enterprise Agencies, Business Gateway and Local Authorities, among others. Although entirely necessary, and essential to supporting people and the businesses that maintain Scotland’s economy, it has revealed just how acute the capacity challenges are within the system to deliver additional funds as well as “business as usual”.³²

4.1.5 It is worth noting the Business Support Partnership, comprised of all those involved in business support, recently published a strategic delivery plan (2022-27) that aims to clear the landscape and demonstrate links to NSET. There are two stated Goals that are of relevance to this review; Goal Four around partnerships and the culture of delivery that has relevance to REPs, and; Goal Two around quality of data, which relates to building analytical capacity within regions.

²⁹ Annex D provides a summary of how economic development is supported in Scotland.

³⁰ [Economic development in Scotland](#)

³¹ [Enterprise and Skills Strategic Board](#)

³² The UK Government’s Levelling Up Agenda has also added to the landscape of economic development in Scotland, as noted above under the Political Landscape.

4.2 City Region & Growth Deals

4.2.1 Supporting regional economic development through £1.9 billion investment in the City Region and Growth Deal Programme is a key policy responsibility of the Scottish Government's Economic Development Directorate³³. The outcomes evolving from that Programme, such as internationalisation and increased inward investment plus the long-term economic strategies emerging from the REPs, are of particular relevance to wider regional economic development and what happens after the Deals are completed.

4.2.2 Beginning in 2014 with the Glasgow City Region Deal, the Deals programme, serves as a central economic development intervention in Scotland. As noted earlier, the Deals are a long term financial and strategic commitment between the Scottish Government, the UK Government, local government, and other regional partners, which now cover all of Scotland.

4.2.3 Through the Deals, regional partners have developed a suite of projects that build on existing and emerging regional strengths, intended as a catalyst to boost productivity and encourage further growth and inward investment. For example, Edinburgh has a core focus on data innovation, the North East on energy transition, Ayrshire on aerospace and satellite technology, and South of Scotland on natural capital.

4.2.4 The partnership working that is evident in the Deals programme is one of the best examples of cross government working and demonstrates how a shared goal with equal investment can focus minds to bring about genuine economic benefits through both large scale infrastructure projects, and complementary Community Wealth Building, skills and employability programmes.

4.2.5 City and Region Growth Deals are progressing over 200 projects with a range of purpose including innovation, food and drink, aerospace, energy transition, digital infrastructure and tourism. Paper Two offers more details around the projects and the benefits intended.

4.2.6 There is a great deal of good practice to learn from in terms of collaborative working, and the robust, proportionate and consistent approach to monitoring and evaluation, however REPAG note that there could be stronger representation of business and third sector in the development and delivery of Deal projects, an issue we see replicated in the membership of some of Scotland's REPs. Though it is not the Scottish Government's remit to determine this involvement, they should consider how to work with regional partners to ensure business and communities can engage more meaningfully.

³³ This Directorate also holds responsibility for a range of activities including supporting key sectors including innovation, inward investment, manufacturing, construction, space, financial services, tourism, life sciences and digital economy. All activity is aimed at boosting productivity, competitiveness, sustainable employment, and workforce engagement. The Directorate contributes to the creation of a more successful country by delivering sustainable and inclusive economic growth which provides opportunities for all.

4.3 Regional Economic Partnerships

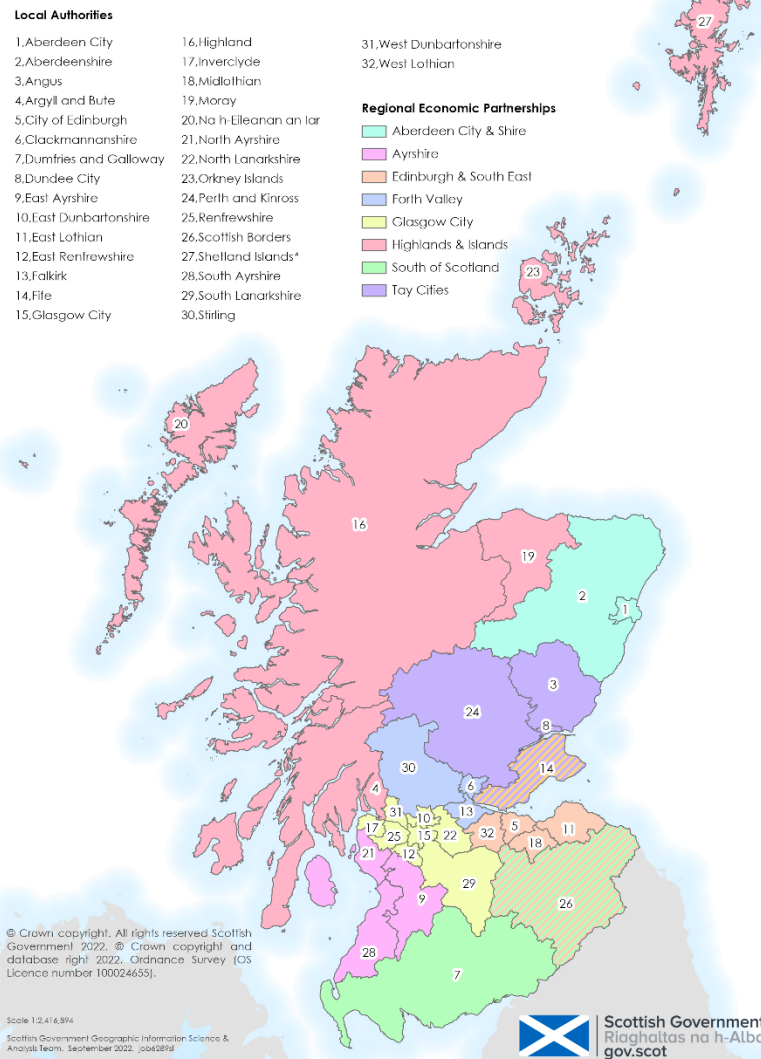
4.3.1 As noted earlier, recognising the benefits of long term regional collaboration, and securing this beyond the scope and lifetimes of the deals, the Scottish Government has committed to enabling a network of Regional Economic Partnerships (REPs) across Scotland. The bodies that deliver the various City Region Deals formed the basis for the developing REP network, and they are encouraged to involve private, public and third sector.

4.3.2 Some are more well established and well-resourced than others. Scottish Government has provided support for REPs through its agencies and officials but only recently through single year direct funding³⁴.

4.3.3 Scotland has eight regional economic partnerships or collaborative equivalents. Whilst it is recognised that not all wish to use this term, for simplicity the acronym “REP” is used in this review. This is not to wash over any sensitivities around the title, including any concerns around a democratic deficit, but its rather intended to act as a shorthand for these forms of collaborative partnerships.

³⁴ These were the Regional Recovery Fund, which issued funding related to covid recovery, and the Regional Economic Partnership Fund, which funded activity on regional economic analysis, the development of regional economic strategies and supported the creation of REPs themselves.

Regional Economic Partnerships



4.3.4 REPs membership across a range of public, private and third sector stakeholders. Membership and involvement does vary in part due to differing remits and levels of maturity. This may also be as a result of a lack of clarity on the expectation from Scottish Government (and UK Government) on what a REP might achieve, how they can contribute to national aims, and what the funding implications might be.

4.3.5 It was the potential within these regional structures that led the Scottish Government to their recommendation regarding delivery of the UK Government's EU replacement funding, as set out in the Bell-Bachtler Report: that the UK Shared Prosperity Fund ought to flow to REPs, via Scottish Government, to disburse. This would have provided REPs with multi-year funding to support the strategic work they are designed to do and would have ensured wide consultation and collaboration in the range of activities supported.

Membership, Purpose and the Benefits of Partnership

4.3.6 The Deals Governance formed the basis for the developing REP network however REPs are a much broader and more flexible entity. Scottish Government does not seek to legislate for the existence of REPs as this may undermine their autonomy and contradict their identity as coalitions of the willing. Furthermore, legislation would be too heavy handed to allow the regional economic nuances to be played out in different memberships and strategic ambitions.

4.3.7 Their membership and remit is intended to be broad and inclusive, with public, private and third sectors all represented in setting the strategic goals for any given region. REPs have the advantage of being able to create their own priorities and purpose by having ownership over their Regional Economic Strategies which will then strengthen the membership by giving specific actions for them to deliver and participate in.

4.3.8 Given the Scottish Government's recurrent emphasis on regional autonomy, REPAG would note that in terms of membership Scottish Government officials remain as collaborators, observers and critical friends rather than as decision making members of REPs. The aim here is for greater horizontal responsibility, accountability, and integration across regional partners, rather than the more traditional vertical reporting lines from regions to central Government.

4.3.9 The reference to policy areas included in this review will also help to support decisions around membership, giving the signal to regional partners that Scottish Government wishes to support this holistic and collaborative engagement at a strategic level – doing more with less, in terms of using the REP as a conduit to more local level discussions. This should also translate to how the national agencies engage.

4.3.10 However, this review suggests that the multi-sectoral and organisational membership of REPs is not the only key factor to sound strategic decision making.

4.3.11 Whilst reference has been made to the link between the Wellbeing Economic Monitor as providing shared outcomes and metrics, it is clear from our consultation that there is insufficient capacity within REPs to develop novel regional data that links to the Monitor or indeed undertake the kind of specialised economic analysis required to create unique regional baselines, using this to then make decisions about the most suitable actions to take given the specific strengths, opportunities, and challenges.

4.3.12 For the most part, when such analysis is required, regional partners inevitably carry out costly procurement exercises for consultants. However, REPAG note the impressive work of the Glasgow City Region's Intelligence Hub, and highlights this as best practice. More will be said on this in Paper Two, including a related recommendation around exploring how regions could benefit from such a Hub.

4.3.13 One of the strongest themes stated that regional working adds value by tackling issues across borders and at scale. Where there is shared endeavour and resource, there has been shared benefits, with the regional partners being generous as REPs mature, agreeing to share risk and costs, trusting the benefits with be

multiplied across the region. It is our hope that these benefits, seen in the more mature REPs, help to reassure the emerging REPs that the development of regional governance, which can be tricky both politically and at officer level, is worth the effort.

4.3.14 Collaboration is seldom a negative, particularly when developing strategic aims. Many of the Deals and REP structures have cited unforeseen positive consequences of bringing together partners across a range of sectors.

- Edinburgh City Council noted that by Higher Education partners offering resource outwith their own Deal projects, e.g. Benefits Realisation Plan, this has encouraged a consistent approach to monitoring and evaluation within the national programme.
- Many regional partners cited the benefits of economies of scale in tackling shared challenges: employability programmes accessible regardless of local authority; linked skills plans across boundaries; integrated transport schemes connecting childcare with employment; infrastructure projects spanning boundaries.

Funding

4.3.15 There is currently no legislation nor direct central government funding for REPs which may have contributed to their fragmented development. Against the strong messaging from regional partners of acute capacity challenges but a positive will to collaborate strategically, the absence of funding is notable, especially with the growing emphasis on functional regional economies and REPs (as noted, NSET has a strong narrative on REPs as potentially the primary vehicle for driving strategic long-term plans on a regional scale, not just in terms of economic function, but also in terms of the scale of shared endeavour and ambition).

“Going forward there will need to be a wider discussion on how data is captured to ensure that efforts of collation are meaningful and shape future work. This will require investment and sharing of best practice at a national level.”

4.3.16 Although the Scottish Government and the various Agencies work alongside regional partners and do a great deal to aid the development of Regional Economic Strategies, REPAG recommend that they now explore how to support REPs to facilitate the work all would like to see be carried out and alleviate capacity issues. This should include how a better alignment within the Scottish Government itself might improve the use of existing funding that flows into regions via various policy areas that already, or intend to, operate at a regional scale.

4.4 Challenges to Regional Working

4.4.1 Though REPAG largely agrees that there is no requirement to legislate for REPs and regional working, this does leave open the risk of political tensions, where there is no democratic authority granted to members to make decisions on behalf of a region. However, REPAG have seen how robust and agreed governance can alleviate these tensions and political risk, with officials presenting factual evidence upon which members can make informed decisions on shared aims. Without

question, the quality of data is central to providing such evidence, and REPAG note once more the benefit of supporting additional capacity within REPs to carry out novel and innovative economic analysis, noting this would not only benefit the region, but that the Scottish Government itself could benefit from this more nuanced and deeper understanding of Scotland's regional economies.

4.4.2 As with most policy areas it has been repeatedly emphasised in the strongest terms by regional partners that the volume, complexity, and challenging timescales, related to Scottish Government funding streams in addition to that provided by UK Government, has created vast capacity challenges and strain among Local Authorities³⁵.

4.4.3 As noted, REPAG strongly recommend that the Scottish Government assess the funding landscape in the context of supporting REPs. Indeed, this is something that the UK Government could also consider, looking at the regional scale to disburse the next tranche of UK Shared Prosperity Funds, for example.

³⁵ These capacity challenges were laid bare during the pandemic, with a raft of additional, essential business support being provided by both Scottish and UK Governments. Though entirely necessary, there is no doubt that it revealed the acute resource issues in administering them all.

5. Delivery of Economic Development in Scotland: External Partners

5.1 Local Government

5.1.1 Scotland's 32 Local Authorities main functions include: education; environmental protection; social care; roads and transport; economic development; housing and planning; and cultural and leisure services.

5.1.2 Their statutory remit for Economic Development requires regulating certain business activities within the area such as the granting of licenses and permits. Local authorities are also active in supporting local businesses, employability activities and the promotion of investment, and took up an essential, and highly demanding, role in delivering support to businesses during Covid.

5.1.3 Historically, Scotland's Local Authorities delivered smaller-scale business support grants, often match funded with financial support from EU structural funds. These funds tended to complement rather than duplicate other larger scale financial support typically provided by the Enterprise Agencies. More recently, in conjunction with the Enterprise Agencies, local authorities have taken responsibility for delivery of the Business Gateway³⁶ programme which offers professional resources and support to help start-ups and growing businesses, including workshops, events, news and advice.

Community Planning Partnerships

5.1.4 Community Planning Partnership (CPP) includes those services that take part in community planning. There are 32 CPPs across Scotland, one for each council area. Each CPP focuses on where partners' collective efforts and resources can add the most value to their local communities, with particular emphasis on reducing inequality³⁷.

5.1.5 In terms of economic development, this is largely around reducing poverty by helping to create a local economy where people can access good jobs with fair pay and conditions. We have seen within some local plans³⁸ a very deliberate approach to increase the number of people in particular groups employed by CPP partner and other local organisations (e.g., long-term unemployed, low-income families, people with convictions and those living in 0-15% SIMD areas).^{39 40}

5.1.6 There are parallel and complementary ambitions between the local CPPs and REPs, with the obvious difference being in terms of scale. REPAG note that there is value in considering in more detail how CPPs can feed into the work of REPs offering a link between local communities and the regions they are a part of, and ensuring local communities are a part of strategic planning and decision making.

³⁶ [Business Gateway](#)

³⁷ [Community Planning](#)

³⁸ Each CPP has responsibility for producing Local Outcome Improvement Plans (LOIPs) and Locality Plans which are produced to outline how community planning partners will work with communities to improve outcomes for individuals, families and communities. The LOIP is not an aspirational statement for the future but a document which takes into account the needs of communities.

³⁹ [North Ayrshire CPP Cover Report](#)

⁴⁰ [Community Empowerment Local Outcomes Improvement Plans](#)

Local Employability Partnerships

5.1.7 With local partners recognising the collective role played by a range of organisations across the employability landscape through their commitment to protecting a diverse range of provision, a framework of Local Employability Partnerships was set up to ‘build on the strengths of existing national and local services, to better align funding and to improve the integration of employability services’. The Partnerships implement at a local level the actions from the No One Left Behind delivery plan⁴¹ and Covid – 19 responses.

5.1.8 The framework was developed following joint discussions with SLAED and SCVO and aims to provide a starting point in developing enhanced local partnership working for both strategic and delivery partners. As with CPPs, there is good reason to ensure positive links between REPs and LEPs, noting a sensible interrelatedness to regional skills strategies.

5.2 Scotland’s Enterprise Agencies

5.2.1 The remit and scope of the Enterprise Agencies⁴² (EAs) has altered since their inception, enhancing the economic development role to focus on new market opportunities at a national level⁴³, and including business support. Highlands and Islands Enterprise (HIE) and South of Scotland Enterprise (SOSE) have by definition always had a regional focus, containing within it a specific community focus. Although there is emphasis on national strengths, given the geographical spread on the three EAs, there are opportunities to ascertain how different regions manifest these strengths, and how the EAs can focus their efforts to support.

5.2.2 REPAG believe there would be merit in the Scottish Government and EAs working together to map regions’ self-identified priorities to where the EAs are working with the REPs. This would build on existing regional focus from SOSE and H&IE, and use SE’s National Opportunities and Place teams to identify gaps. For example, a significant amount of manufacturing work SE does is in Glasgow, renewables in the north east and Fife (via Edinburgh and South East region), and in Tayside there is a focus on healthcare. It would be useful to see how much focus is on the regional priorities and where national agencies play a role comparatively.

5.2.3 In NSET the Scottish Government sees EAs playing a critical role in helping to build Scotland’s future economy. Their focus will continue to be on building upon the close partnership working and collaboration they’ve fostered and their aims will be to widen this further to optimise regional strengths and opportunities. This, alongside addressing barriers to growth, will be key to unlocking the full economic potential of Scotland’s regions.

⁴¹ [No-one Left Behind Delivery Plan](#)

⁴² Scottish Enterprise (SE), Highlands and Islands Enterprise (HIE) and South of Scotland Enterprise (SOSE) established in 2020 to promote and tackle the unique circumstances within the South of Scotland

⁴³ SE National Opportunities are: Digital Scaling Up, Levelling Up, Scotland in Space, Health for Wealth, Future Healthcare Manufacturing, Decarbonising Heat, Hydrogen Economy, Zero Emissions Heavy Duty Vehicles.

5.2.4 Scottish Enterprise (SE) has complemented the Scottish Government's growing emphasis on a regionally-focussed, place-based model for economic development by establishing a Place Directorate.

5.2.5 There is a willingness to flex to placed based working through SE's response to the recommendations from the Scottish Government's 2020 Advisory Group Report on Economic Recovery⁴⁴ (established to provide advice on Scotland's economic recovery following Covid). SE has worked intensively with partners in three regional economies (Glasgow, Ayrshire and the North East), collaborating with the aim of promoting recovery. There is clear evidence of this through SE's involvement with the Glasgow REP, Ayrshire's transformative Spaceport cluster at Prestwick and projects within the Energy Transition Fund in the north east.

5.2.6 However, it's fair to say that the definition of focus remains about place-innovation/place-contribution to National Opportunities (Scotland in Space, Future Healthcare Manufacturing, Health for Wealth, Digital Scaling Up, Levelling Up Core Team, Zero Emissions Heavy Duty Vehicles, Decarbonising Heat, Hydrogen Economy), rather than regions per se.

5.2.7 In addition to the business support activities delivered by Highlands and Islands Enterprise (HIE) is a prominent community development remit. These dual remits are of great value in a rural context as businesses are more likely to thrive in a vibrant community and vice versa. SOSE consulted with HIE on this specific approach, recognising its worth by making it one of its own USPs.

Enterprise Agencies and Regional Working

5.2.8 The Enterprise Agencies have been core partners in the Deals Programme across Scotland, supporting local authorities with project delivery and business case development. This has been essential to progress, particularly for smaller local authorities with less resource or expertise to carry out this work to the expected level.

5.2.9 With the geographical split, and experience of supporting regional partners within the Deals and wider strategically important projects such as the Energy Transition Zone in the north east⁴⁵, there are clear links to the wider remit of the REPs. Each of the Enterprise Agencies have been keen to be members of REPs, making the most appropriate links between strategy and delivery across any given region. Given this, it's clear that the Scottish Government should continue to encourage and nurture these relationships to ensure the continuation of their membership and long-term involvement in developing and delivering Regional Economic Strategies, linking this work with NSET activity.

5.2.10 Linking back to prior comments made regarding understanding regional structural barriers to growth, in order to understand where further support is required REPAG believe it would also be valuable to assess where there are gaps between regional priorities and place-innovation priorities, ambitions, and research capability.

⁴⁴ [Advisory Group on Economic Recovery](#)

⁴⁵ Supporting Opportunity North East who led on the development of this project.

5.3 The Third Sector

5.3.1 The Third Sector has long played a key role in economic development through a multifaceted range of activity such as through the delivery of employability training or the running of social enterprises. The third sector is a significant economic, environmental and social actor. According to the Scottish Council for Voluntary Organisations (SCVO) [2022 State of the Sector](#)⁴⁶ research, there are over 46,500 voluntary organisations, employing over 135,000 FTE staff, with an annual turnover of £8.5 billion and working with over a million volunteers.

5.3.2 The Covid-19 pandemic brought to the fore the importance the Third Sector plays in Scotland's economy. The sector provides care allowing more people to enter employment, and it helps people develop their own capacity to become economically active which helps tackle the inequality and poverty that was worsened by the pandemic. Many recognised the ecosystem of support that characterises the sector and the role played as a major social, environmental and economic actor in recovery and beyond.

5.3.3 Scotland has a growing number of social enterprises. There are differing definitions of what constitutes a social enterprise, and not all would regard themselves as part of the “third sector”. According to Social Enterprise Scotland⁴⁷, in 2019 the social enterprise sector was worth £2.3 billion GVA to Scotland and supported over 88,000 FTEs. Almost 70% of social enterprises are led by and are accountable to a particular community and 33% are located in rural Scotland.

5.3.4 There are national and local infrastructure organisations that support the third sector. The Scottish Council for Voluntary Organisations is the national membership body for Scotland's charities, voluntary organisations and social enterprises. Social Enterprise Scotland is an independent, membership-led organisation, built and controlled by social enterprises. Third Sector Interfaces (TSIs) are located in each local authority area, representing and supporting the sector. There are also national intermediary bodies for organisations working in specific functions such as social care, sport, the arts, housing and children's services.

Third Sector and Regional Engagement

5.3.5 Given that much of the activity is aligned at a local and national level, the third sector can find it difficult to engage with REPs, or to ‘get a seat at the table.’ For example, given REPs consist in multiple local authorities, is the expectation that all related TSI's attend, some or only one? REPs need to work with third sector to find the best route in to ensure representation and a role in decision making.

5.3.6 REPAG recognise that the Scottish Government cannot and should not dictate membership of REPs, however, it has always been the stated ambition that REPs have third sector representation to ensure their perspective is included in the development of strategic work. To ensure this happens, the Scottish Government should encourage and support REPs to ensure local third sector parties are able to participate in REPs where they wish to do so.

⁴⁶ [Social Enterprise](#)

⁴⁷ [Social Enterprise](#)

5.4 Skills Development Scotland, Scottish Funding Council and the role of Further & Higher Education

5.4.1 Skills Development Scotland (SDS) is the national skills body whose purpose is to drive productivity and inclusive growth through investment in skills, enabling businesses and people to achieve their full potential.

5.4.2 From a skills planning perspective SDS already embody a regional approach, engaging with partners on a regional basis across geographies that largely mirror the REPs, stating “Each of Scotland’s regions faces its own opportunities and challenges. Taking a regional approach allows for these to be identified and an appropriate response developed that is tailored to the needs of the region.”

5.4.3 As with the Enterprise Agencies, SDS are welcome members of REPs and have been active in facilitating the development of Regional Skills Investment Plans and Regional Skills Strategies to support the ambitions of REP’s Economic Strategies for a number of years. This is something REPAG are keen to continue to encourage, noting the work taking place in Glasgow City Region of developing a Regional Skills Strategy to complement the Regional Economic Strategy, and similar approaches in the South of Scotland, Aberdeen City and Shire, Tay Cities and the Edinburgh City Region. The Scottish Government ought to stay close to this work, to learn and ascertain whether other REPs would like to replicate this approach in a manner that suits their own region.

5.4.4 Regional Skills Investment Plans (RSIPs) are co-designed and endorsed by regional partners. They seek to embed an evidence-based approach to skills planning, investment and delivery aligned to the needs of employers and the economy. However our consultation has found that even where SDS have led on this there can be tensions where a specific element or intervention within the skills offer is thought to be better delivered at a local level or that a national programme of activity does not fit with the regional requirements

5.4.5 Regional Skills Assessments (RSAs)⁴⁸ underpin the RSIPs to provide an evidence base to inform future investment in skills, built up from existing datasets and forecasts. The evidence base brings together data from published sources organised across three themes:

- Skills supply within the labour market;
- Skills demand within the labour market; and
- Skills mismatches where there is a gap between the demand for skills and the supply of people in the labour market.

5.4.6 The Shared Outcomes Framework⁴⁹, published in March 2022, is the means by which SDS and the Scottish Funding Council (SFC) will monitor and report on collaborative projects that contribute to overarching skills outcomes, set in the National Strategy for Economic Transformation (NSET) and the missions of the

⁴⁸ RSAs published for: Highlands and Islands, Glasgow City Region, Tay Cities, Aberdeen City and Shire, Edinburgh and South East Scotland and the South of Scotland. Work is currently underway to develop one for Ayrshire.

⁴⁹ [Shared Outcomes Framework](#)

Future Skills Action Plan, in particular around the alignment of economic demand with current and future provision.

5.4.7 Our consultation found there is a need to strengthen the regional skills approach, a view supported by Audit Scotland's report Planning for Skills⁵⁰ which concludes that the current arrangements for skills in Scotland, which is intended to create more alignment between SDS, Scottish Government and the Scottish Funding Council (SFC) is not sufficient to achieve the outcomes desired. There is undoubtedly a role for SDS and SFC to work with REPs to further align at a regional level, feeding into and helping to achieve national alignment.

5.4.8 This is echoed in our consultation response, which noted criticism about the appropriateness of the delivery mechanisms for rural Scotland in particular and the ability for public training provision to be sufficiently agile to meet the needs of rural employers now and in the future.

- Agriculture sector: we have the impacts of an aging population, low numbers of new entrants;
- Tourism and Food & Drink sectors: strong dependence on migrant workforces which are vulnerable to EU exit-caused labour shortages;
- Modern Apprenticeships: challenging to take forward given the business base in rural areas which have a disproportionate number of micro-enterprises.

5.4.9 Scottish Government skills policy officials noted the value of using REPs to develop strategies. Given the regional focus of NSET they were in favour of linking skills strategies to regions in terms of labour markets and sectoral strengths. This justifies Scottish Government supporting REPs to take a regional skills approach involving not only SDS and SFC, but also Higher and Further Education institutions, should they wish to do so.

5.4.10 Highlighting the role of Further and Higher Education institutions, it is clear that Colleges and Universities are significant anchors within their regions, rooted in the needs of their local and regional communities, and playing a role as major assets, employers and drivers of growth. Review stakeholders highlighted the importance of regional planning to secure guaranteed pathways through community, vocational and university programmes.

“Our work on the Economic Recovery Group – aligned with that of SFC's Regional Pathfinders – continues to gather strong evidence of the central role of colleges in their regional economies, and is now starting to divine the future shape of tertiary provision in each of our regions. Organisational realignments aren't required, rather that collaboration between different regional anchor institutions and national agencies is welcome.

The parallel point about the lack of strategic capacity in a number of local and indeed regional organisations is a barrier to progress should be seen as a principal constraint on the system's ability to perform.”

⁵⁰ [Audit Scotland Planning Skills](#)

5.4.11 The boundaries and approaches to regional working have evolved significantly over past decades, particularly in terms of the regionalisation of colleges. The number of colleges has reduced from 43 to 26 colleges, clustered into 13 regions

5.4.12 These college regions do not overlap neatly with REPs, but we do not see this as an insurmountable barrier to REPs developing regional skills strategies that complement economic strategies. Having Colleges and Universities, SFC and SDS as members will aid understanding around working across boundaries, with a coordinated view of implications and benefits.⁵¹

5.4.13 Finally, it ought to be noted that additional regional data analysis would be required for this, something which may not currently be available to every region. Consequently, this adds to the justification that Scottish Government ought to consider as to how to help regional partners build analytical capacity within regions.

5.5 Wider Contextual Considerations

European Structural and Investment Funding and UK Shared Prosperity Fund

5.5.1 Since the 1970s the availability of funding from the European Union has driven a proxy regional economic development policy in Scotland focused on addressing regional inequality. With over £6 billion of investment spanning four decades, it has provided match funding for a wealth of activities. Based on economic data to drive allocation methodology, EU funds have been targeted at those places in need.

5.5.2 Funds were allocated for a seven year programming period and whilst the overall direction of the Funding Programmes was set by the European Commission, it was the responsibility of the managing authority (the Scottish Government) to set the investment priorities for delivery. Over the years EU funds have provided a catalyst for economic development across Scotland. In the Highlands and Islands, for example, Local Authorities directed investment into transport infrastructure which, in turn, has supported some of the most remote and rural businesses and communities in Europe.

- Comhairle nan Eilean Siar completed construction of the Western Isles Spinal Route which provides transport linkages incorporating road, ferry and bridge infrastructure from the Isle of Lewis to the Isle of Barra.
- Highland Council upgraded single track roads between Inverness and Gairloch and Inverness and Kinlochbervie to enable quicker transportation of landed fish to the markets of the south.

⁵¹ In the June 2021 Review of Tertiary Education and Research, SFC outlined a refreshed approach to skills alignment and provision planning, incorporating Tertiary Provision Pathfinders to explore how provision planning and curriculum design can better ensure the education and skills system is responsive, integrated and supports inclusive economic recovery.

5.5.3 Following the vote to leave the EU, Scotland no longer has access to this investment funding, though the UK Government stated the intention to fully replace EU funds in the form of UKSPF⁵², setting out a new range of investment priorities for local authorities to work to. Rather than devolve the funding to each of the four nations for onward delivery, the UK Government has retained overall control and will deliver directly to local government.

5.5.4 UKSPF may influence the nature of regional economic strategies over time, as this funding could help to deliver the strategic goals, however the fact that the fund has been accessed mostly by single Local Authorities rather than on a regional basis limits the scope of UK Government to work on a regional basis in Scotland.

5.5.5 Whilst there are allocated funds going direct to Local Authorities through UKSPF, there are cases in which the funding is not equal at a regional level. This is because EU funds were also issued directly to both local groups and employability organisations as well as investing in national programmes e.g., SDS Apprenticeships that Local Authorities would have accessed in addition. Consequently, the current UKSPF funding excludes those local/community and national tiers of projects and local authorities are having to decide whether they will use some of their allocation to fill the gap.

“For many areas UKSPF funding allocation is significantly less than previous EU receipts. Together with a delivery route through local authorities and the tight timescales for Investment Plan development, this has meant that a regional approach has been challenging.”

5.5.6 Local Authorities, or regional groupings, are required to submit a three year Investment Plan outlining the planned activities which will make use of their allocation. However, where EU funds were considered ‘the funding of last resort’ and there was the requirement for applicants to evidence a match funding package of at least 40%, the UKSPF has no such requirement. This meant that, in real terms, the value of EU investment was far higher than initial investment, e.g. an initial investment from the EU of £600 million would result in the support of activity valued at over £1.2 billion. The quantum and method of delivery for the UKSPF is disappointing to Scotland from an economic development investment perspective.

5.5.7 The Scottish Government have been strong in their message that the overall quantum of £212 million is far less than their own calculation of a full replacement, which set out that at least £183 million per year would be required to fully replace the funding for current activity.⁵³ The message being that this is insufficient funding to retain the same level of economic impact in Scotland.

5.5.8 Given that the UK Government have selected to be the sole decision makers for this fund, the scope of influence for the Scottish Government is limited, however, REPAG would encourage the UK Government to accept the Scottish Government’s request to a review of the Governance arrangements, and look to offer parity of

⁵² The Secretary of the Scottish Affairs Committee Inquiry into the UKSPF in Scotland, Alister Jack, said on 13 May 2021 “The amount of funding will be as great, or greater, than the EU funds.”

⁵³ [Scottish Replacement for EU Funds](#)

esteem to the Devolved Governments, potentially flowing funding through them in future rounds.

5.5.9 A review would also offer an opportunity prior to the next tranche of funding for the UK Government to support the trajectory of regional empowerment in Scotland, and issue funding to REPs to deliver the aspects of their Regional Economic Strategies that would be in line with UK Government's strategic priorities.

UK Government and Levelling Up

5.5.10 In 2021 the UK Government launched the Levelling Up Agenda which sees the implementation of several Funds aimed at reducing regional inequalities and building Pride in Place. These funds include:

- Levelling Up Fund
- Community Ownership Fund
- UK Shared Prosperity Fund

5.5.11 The Agenda was formally launched 12 months later with publication of the Levelling Up White Paper⁵⁴. Although with little additional funding for policy planning attached, it made clear that the UKSPF would act as a main pillar for achieving levelling up.

5.5.12 A number of organisations and agencies⁵⁵ within Scotland share concerns around the UK Government's approach to where levelling up is required and how this has been addressed. The Levelling Up Fund has split Scotland's local authorities into three levels of need while the UKSPF has allocated the £212 million to each of the local authorities – in both cases with very little engagement with either Scottish Government or relevant agencies on the utilisation of metrics for prioritisation which have not accounted for Scotland's distinctive needs.

5.5.13 Scottish Ministers have debated the impact of the Levelling Up agenda on Scotland. In bypassing the Scottish Government in the delivery of these Funds the UK Government has introduced incoherence and duplication into the devolved system and is failing to ensure their interventions align with the established approaches agreed between Scotland's Local Authorities and the Scottish Government.

5.5.14 Each fund cuts across a range of policy areas many of which are devolved, such as transport, skills and employability, education, health, economic development, and innovation. Using the Internal Market Act, the UK Government is able to make funding decisions regarding devolved policy areas without any consent of Scottish Government Ministers. Indeed, there is no role for Scottish Government or Ministers in these funds.

5.5.15 However, these funds and the overall missions are being applied at a local, rather than regional level, and as such do not play an actively helpful role in Scottish Government's growing emphasis on regional economic development. Where appropriate, there is a role for Scottish Government to work with regional partners to

⁵⁴ [Levelling Up the United Kingdom - GOV.UK \(www.gov.uk\)](https://www.gov.uk/levelling-up-the-united-kingdom)

⁵⁵ E.g. Scottish Government, Local Authorities, Enterprise Agencies, SCVO

encourage strategic alignment, and where projects are being brought forward for funding from UK Government, this complements and adds value to Scottish Government policies and investment interventions. This may play out in the Deals programme, where additional funding is used to enhance Deal projects. This may indirectly entail regional benefit, notwithstanding the local targeting.

Levelling Up and Regeneration Bill

5.5.16 The Levelling Up Agenda, and the 12 Missions that it is comprised of, is being legislated for by the Levelling Up and Regeneration Bill.

5.5.17 The Levelling Up and Regeneration Bill is currently going through UK Parliament and seeks to make provision for the setting of levelling-up missions and reporting on their progress in Westminster. Part 1 of the Bill introduces statutory provision for the UK Government's "Levelling-up Missions" which cover many areas that are within the devolved responsibility of the Scottish Government and Scottish Parliament including economic development, health, and education.

Scottish Ministers have not given consent to the Bill as it will enable more UK Government activity in devolved policy areas.

6. Economic Policy Metrics: NSET, SHRED and Benefits Realisation

6.1 Scotland's Index of Multiple Deprivation

6.1.1 In Scotland, [the Scottish Index of multiple Deprivation](#) (SIMD) is used to measure relative deprivation within and across regions. This Index is now on its third iteration, by assessing spatial inequality through 7 lenses of income, employment, health, service access, crime and housing.

6.1.2 SIMD has split Scotland into 6,976 small areas (data zones) with roughly equal population; these areas are then assessed based on 30 indicators of deprivation including travel time to a GP, unemployment and crime statistics. It can help improve understanding about the outcomes and circumstances of people living in the most deprived areas in Scotland. It can also allow effective targeting of policies and funding where the aim is to wholly or partly tackle or take account of area concentrations of multiple deprivation. SIMD is an area-based measure of relative deprivation: not every person in a highly deprived area will themselves be experiencing high levels of deprivation.

6.1.3 Despite the use of these metrics, there are some conceptual and practical concerns in their applicability to rural areas. With data zones across sparsely populated rural areas being larger in size this, in turn, creates a mixed picture of people experiencing different levels of deprivation. This means that SIMD is less helpful at identifying the smaller pockets of deprivation found in more rural areas, compared to the larger pockets found in urban areas.⁵⁶

6.2 Wellbeing Monitor

6.2.1 The Scottish Government Wellbeing Economy Monitor⁵⁷ was launched in June 2022 as a key part of NSET, developed to look beyond GDP to measure how Scotland's economy contributes to improving things that people really value, such as health, equality, fair work and environmental sustainability.

6.2.2 The data contained will be used alongside the National Performance Framework to guide future economic decision making, helping to deliver a just transition to a net zero, nature-positive, circular, wellbeing economy based on the principles of equality, sustainability, prosperity and resilience; all of which are vital to the nature of how the Scottish Government aim to transform the economy.

6.2.3 Given the limitations of SIMD noted above, REPAG note that it would be beneficial to examine further how a needs-based allocation based on a variety of measures, that better reflects the nuances of different regions, might look, and work with OCEA to ascertain how this might play into Scottish Government's Wellbeing Economy ambitions.

6.3 Scottish Government Urban Rural Classification 2020

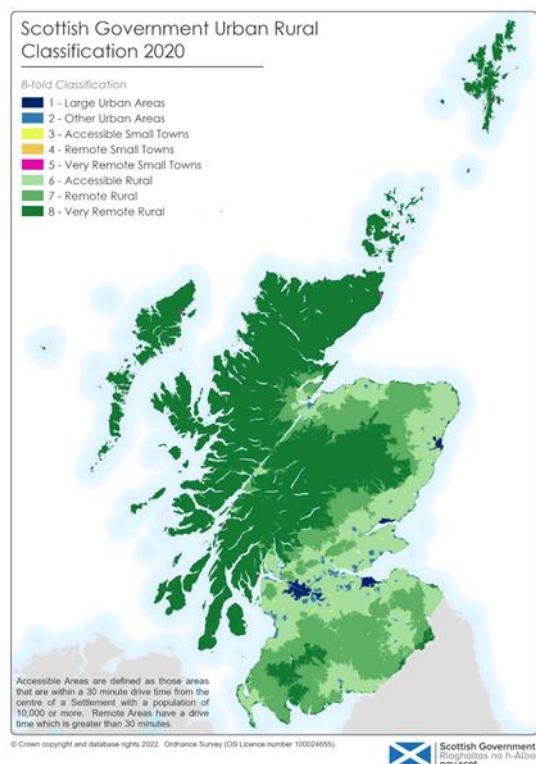
6.3.1 Scottish Government uses the terms Rural, Remote Rural, Accessible Rural and Islands when setting out and considering how policies, strategies, services and legislation affect and impact upon communities across the 32 council areas e.g.

⁵⁶ Clelland, D. and Hill, C., 2019. Deprivation, policy and rurality: The limitations and applications of area-based deprivation indices in Scotland. *Local Economy*, 34(1), pp.33-50.

⁵⁷ [Wellbeing Economy Monitor](#)

Island Communities Impact Assessments. The intention is to provide a consistent way of defining urban and rural areas across Scotland⁵⁸. The classification is based upon two main criteria: population and accessibility.

6.3.2 The classification is available in multiple forms, including a 6-fold classification which distinguishes between urban, rural, and remote areas through six categories, and an 8-fold classification which further distinguishes between remote and very remote regions. By combining both the population and accessibility measures, a Scotland-wide Urban Rural Classification is defined.



6.4 Measuring and Monitoring Success

6.4.1 Measuring the impact of an initiative varies across policies and over time, with a move away from the traditional economic measures of progress and development. Scotland's National Performance Framework offers a quantitative and qualitative update on progress towards the achievement of goals but it doesn't advise on the impact of a specific initiative.

6.4.2 There is value in examining the potential in taking this approach when assessing the output of regional economic policy, noting that efforts are being made within the Deals programme to do precisely this in their Benefits Realisation work. Extending this across all Scottish Government investments within regions would entail that the success of regional policy could be based a holistic set of metrics, going beyond GDP to determine how Scotland's wellbeing is being impacted by various interventions. Again, this ought to be considered in the light of the Wellbeing Economy Monitor, to determine how Scotland's wellbeing is being impacted by various interventions.

⁵⁸ [Urban Rural Classification](#)

6.4.3 This note on measuring success would help to link regional economic development with the strategies being implemented at a national level such as the NSET. Regional is not the only operating level, and some aspects of policy function much better at national and local levels. The goal here should therefore be greater alignment between local, regional and national to ensure consistent levels of success. There will always be a requirement for national action (for policy matters which cross regional boundaries or are relevant across an individual's whole life cycle) and meeting very specific local needs.

7. Conclusions

7.1.1 Assessing the current context of regional economic development in Scotland has brought forward the following notable conclusions, mostly related to how better alignment may well be the key to effective improvements in delivery such that significant contributions to meeting the ambitions of NSET can be made. These conclusions will support the final recommendations.

Explicit Policy Support: Permission to be Regional

7.1.2 The acceptance of the content and recommendations of this review by Scottish Ministers will signal to regional partners an explicit and justified support for the regional scale of economic development, empowering regional partners to work and make decisions at this level. This may help unlock political barriers where working across boundaries has been viewed with some degree of scepticism, and allow officials to take forward regional work with more confidence and a stronger sense of regional identity.

Horizontal Accountability

7.1.3 By making a stronger and more explicit statement around regional structures, the overarching aim here ought to be to support a greater degree of horizontal accountability and integration between economic actors across each region. The absence of legislation for REPs is an advantage here as it lessens the requirement for traditional vertical accountability to Government, and instead permits responsibility, problem solving, responsiveness and ambition reflecting specific regional economic nuances and priorities to be shared in a collaborative manner between Scottish Government, Agencies and regional partners.

Use of Existing Structures

7.1.4 A common plea from stakeholders was that this review not result in additional structures being suggested. REPAG are entirely sympathetic to this view, and urge the Scottish Government to use the strengthening of regional identities to support engagement with existing regional governance structures such as REPs rather than creating new ones in different policy areas. This would also extend to the UK Government, who can make use of REPs as a funding recipient to realise strategic benefits.

Regional Policy Clarity

7.1.5 This review provides a clear rationale for considering the inclusion of certain policy areas in Regional Economic Strategies e.g., Just Transition, Population, Child Poverty, Digital Economy, Community Wealth Building, Transport, Land Use and Planning, Skills, High and Further Education. This clarity can empower REPs to take a holistic approach to strategic economic planning, looking at enablers and levers, constraints and barriers.

REP Memberships

7.1.6 This policy clarity will also support decisions around memberships of REPs that reflect appropriate priority policies for each region, once more giving the signal that the Scottish Government supports this holistic and collaborative engagement at a strategic level; potentially doing more with less by using the REP as a conduit, connecting local with national, and providing a strategic forum for national agencies to engage.

7.1.7 Though it is not the Scottish Government's remit to dictate membership, they could take steps to consider how to work with regional partners to ensure business, third sector and communities can engage with REPs more meaningfully. This would allow these non-public sector organisations and businesses to contribute to NSET via REPs.

Strengthening Scottish Government Placed Based Policy Making

7.1.8 Relatedly, the Scottish Government ought to replicate this policy alignment, developing placed-based regional, strategic conversation and activity across relevant policy areas, identifying shared outcomes and putting efforts behind those to bolstering the benefits, whilst refining the asks of regional partners to lessen the demands made from different parts of Government.

7.1.9 This extends to including Scotland's National Agencies, scoping out how SDS SFC and Regions might better align to support Regional Skills Strategies that compliment Regional Economic Strategies, and working with all of the Enterprise Agencies to assess where there are gaps between regional priorities and place-innovation priorities, ambitions, and research capability.

Exploring How Best to Support REPs

7.1.10 This relates to our finding that the Scottish Government ought to examine the current funding landscape across the public sector, including UK Government, using improved policy alignment to make more joined-up funding decisions, potentially using existing funding streams to support shared outcomes.

7.1.11 This analysis of funding should also examine the capacity challenges created by complex, short-term and varied funding streams, and the duplication in reporting, monitoring and evaluation efforts for regional partners. Easing the burden here may reduce at least some of the capacity challenges within regions. Additionally, a point that has been raised here, is the need to explore how analytical capacity can also be built across each region

Wellbeing Economy Metrics

7.1.12 It would be beneficial for the Scottish Government to examine how a needs-based allocation based on a variety of measures, that better reflects the nuances of different regions, might look and work with OCEA to ascertain how this might play into Scottish Government's Wellbeing Economy ambitions.

7.1.13 Given that NSET talks of a whole systems approach and collective endeavour, REPAG are keen that the Scottish Government ensure they bring everyone along with them and take an active role in ensuring regional partners make use of the new Monitor and its metrics. They may specifically wish to consider how REPs would make use of the Monitor when measuring the success of their Regional Economic Strategies, thereby making a direct link between regional endeavour and national ambition.

ANNEX A: List of Respondents to Consultation and Drafting Process

Internal Scottish Government Policy Areas

- Regional Transport Partnerships
- Employability
- Rural Economy and Communities
- Further and Higher Education
- Advanced Learning and Science
- Planning & Architecture
- Developing the Young Workforce
- Blue – Green Infrastructure
- Land Use Strategy
- Skills
- Land Use & Planning
- Community Wealth Building
- Natural Capital
- Strategic Transport Planning
- Just Transition
- Housing
- Transport Scotland
- Digital Economy
- Population
- Wellbeing Economy
- Fair Start Scotland
- Local Government
- Regeneration & Place
- Child Poverty
- OCEA
- Tourism

External Stakeholders

- Regional Economic Partnerships
- Stirling University
- Strathclyde University
- Scottish Enterprise
- South Of Scotland Enterprise
- Highlands and Islands Enterprise
- Scottish Council of Voluntary Organisations
- Skills Development Scotland
- Scottish Funding Council
- Nature Scot
- Visit Scotland
- Forth Valley College
- Opportunity North East
- City Region and Growth Deals
- Public Health Scotland
- COSLA
- SLAED
- College Economic Recovery Group
- Scottish Cities Alliance
- Core Cities

ANNEX B: Consultation Questions

- What does “region” mean for your policy area/organisation?
- What regional boundaries are already established? Please enclose maps if you have them.
- What definitions and policy statements are key for your policy area/organisation that would be relevant to our regional policy review?
- Have you heard of Regional Economic Partnerships, or had any engagement with them?
- What frameworks and/or strategies do you already have in place, or are in development that have a regional dimension?
- What do these frameworks and/or strategies say about regional working, and what is the evidence base?
- How are relevant national agencies and key stakeholders in your policy area/organisation brought into the regional space? Have they had any interaction with Regional Economic Partnerships? Do you think they should?
- What regional structures and delivery vehicles are there already in place for your policy area/organisation? What do they do and what/who do they influence?
- How would/does regional working add value?
- What are/would be the challenges of working on a regional scale?
- How do you measure success, and what are the reporting requirements?
- Do any of the metrics you use work at a regional level?
- Are there any papers or submissions you can share that would be useful for us to see as part of this review?
- How does regional economic development, inclusive growth and wellbeing economy currently play into your policy area/organisation? Is this as part of a regional approach?
- What would your vision for future regional working look like?
- If the regional model isn't appropriate, please explain why.

ANNEX C: Links to Key Strategies/Frameworks

[Scotland's National Strategy for Economic Transformation](#)

[National Performance Framework](#)

[Wellbeing Economy Monitor](#)

[Legislation - Regional Spatial Strategies](#)

[Regional Transport Partnerships and Strategies](#)

[Scotland's Fourth National Planning Framework](#)

[Strategic Transport Projects Review 2](#)

[Scottish Land Use Strategy](#)

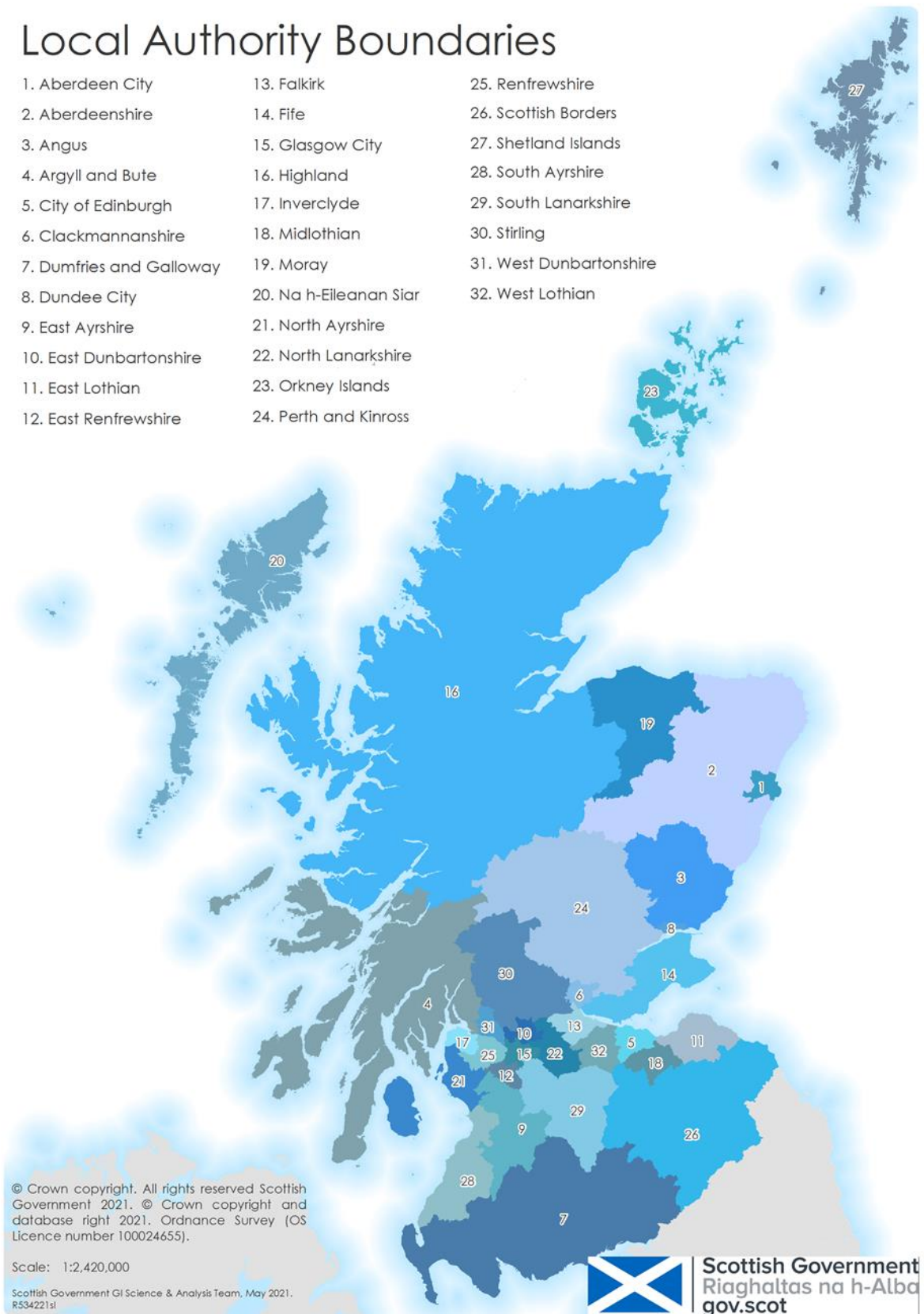
[Developing the Young Workforce](#)

[Just Transition - A Fairer, Greener Scotland](#)

ANNEX D: Regional Maps of Scotland

Local Authority Boundaries

- | | | |
|--------------------------|------------------------|-------------------------|
| 1. Aberdeen City | 13. Falkirk | 25. Renfrewshire |
| 2. Aberdeenshire | 14. Fife | 26. Scottish Borders |
| 3. Angus | 15. Glasgow City | 27. Shetland Islands |
| 4. Argyll and Bute | 16. Highland | 28. South Ayrshire |
| 5. City of Edinburgh | 17. Inverclyde | 29. South Lanarkshire |
| 6. Clackmannanshire | 18. Midlothian | 30. Stirling |
| 7. Dumfries and Galloway | 19. Moray | 31. West Dunbartonshire |
| 8. Dundee City | 20. Na h-Eileanan Siar | 32. West Lothian |
| 9. East Ayrshire | 21. North Ayrshire | |
| 10. East Dunbartonshire | 22. North Lanarkshire | |
| 11. East Lothian | 23. Orkney Islands | |
| 12. East Renfrewshire | 24. Perth and Kinross | |



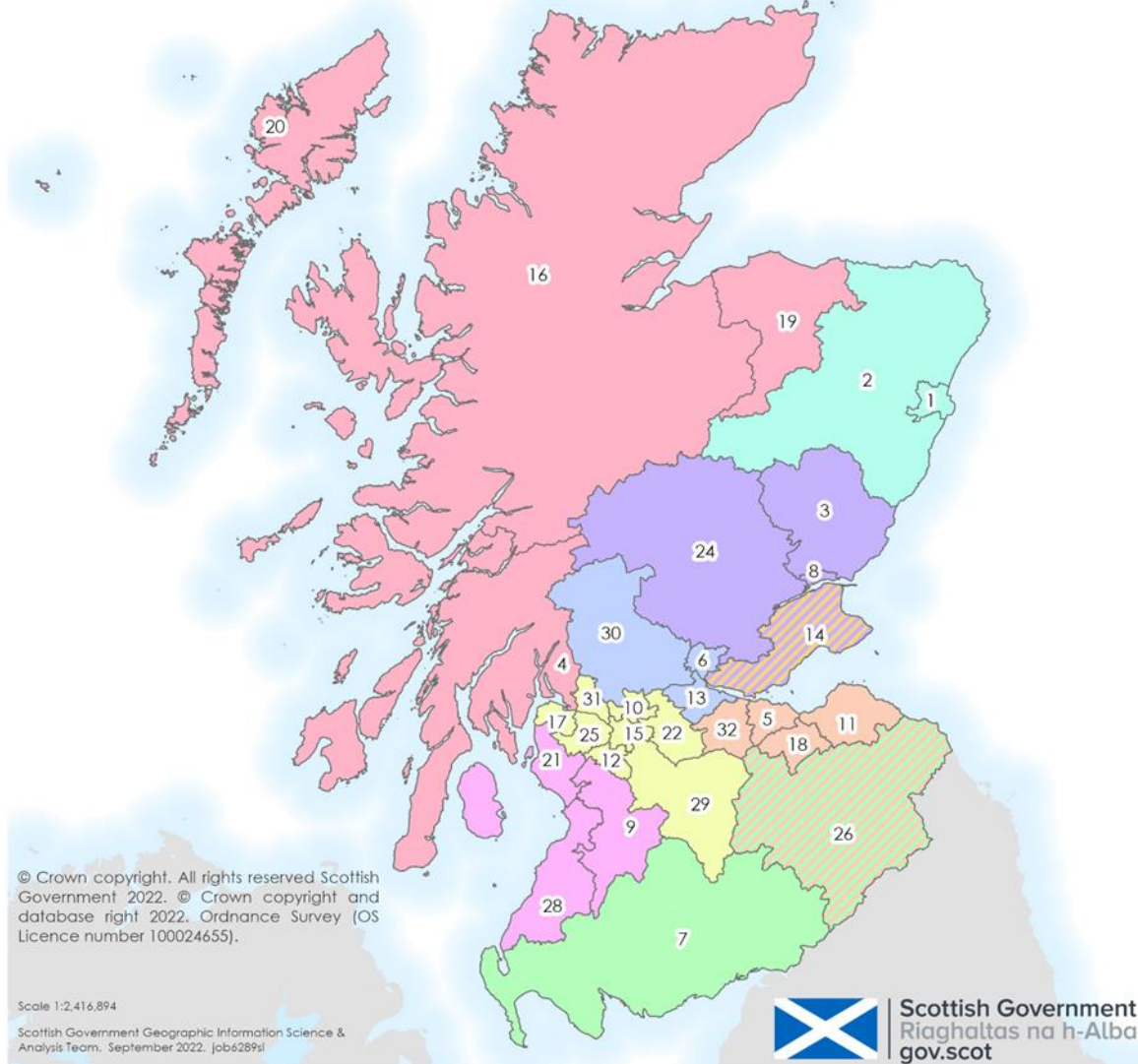
Regional Economic Partnerships

Local Authorities

- | | | |
|--------------------------|--------------------------|-------------------------|
| 1, Aberdeen City | 16, Highland | 31, West Dunbartonshire |
| 2, Aberdeenshire | 17, Inverclyde | 32, West Lothian |
| 3, Angus | 18, Midlothian | |
| 4, Argyll and Bute | 19, Moray | |
| 5, City of Edinburgh | 20, Na h-Eileanan an Iar | |
| 6, Clackmannanshire | 21, North Ayrshire | |
| 7, Dumfries and Galloway | 22, North Lanarkshire | |
| 8, Dundee City | 23, Orkney Islands | |
| 9, East Ayrshire | 24, Perth and Kinross | |
| 10, East Dunbartonshire | 25, Renfrewshire | |
| 11, East Lothian | 26, Scottish Borders | |
| 12, East Renfrewshire | 27, Shetland Islands* | |
| 13, Falkirk | 28, South Ayrshire | |
| 14, Fife | 29, South Lanarkshire | |
| 15, Glasgow City | 30, Stirling | |

Regional Economic Partnerships

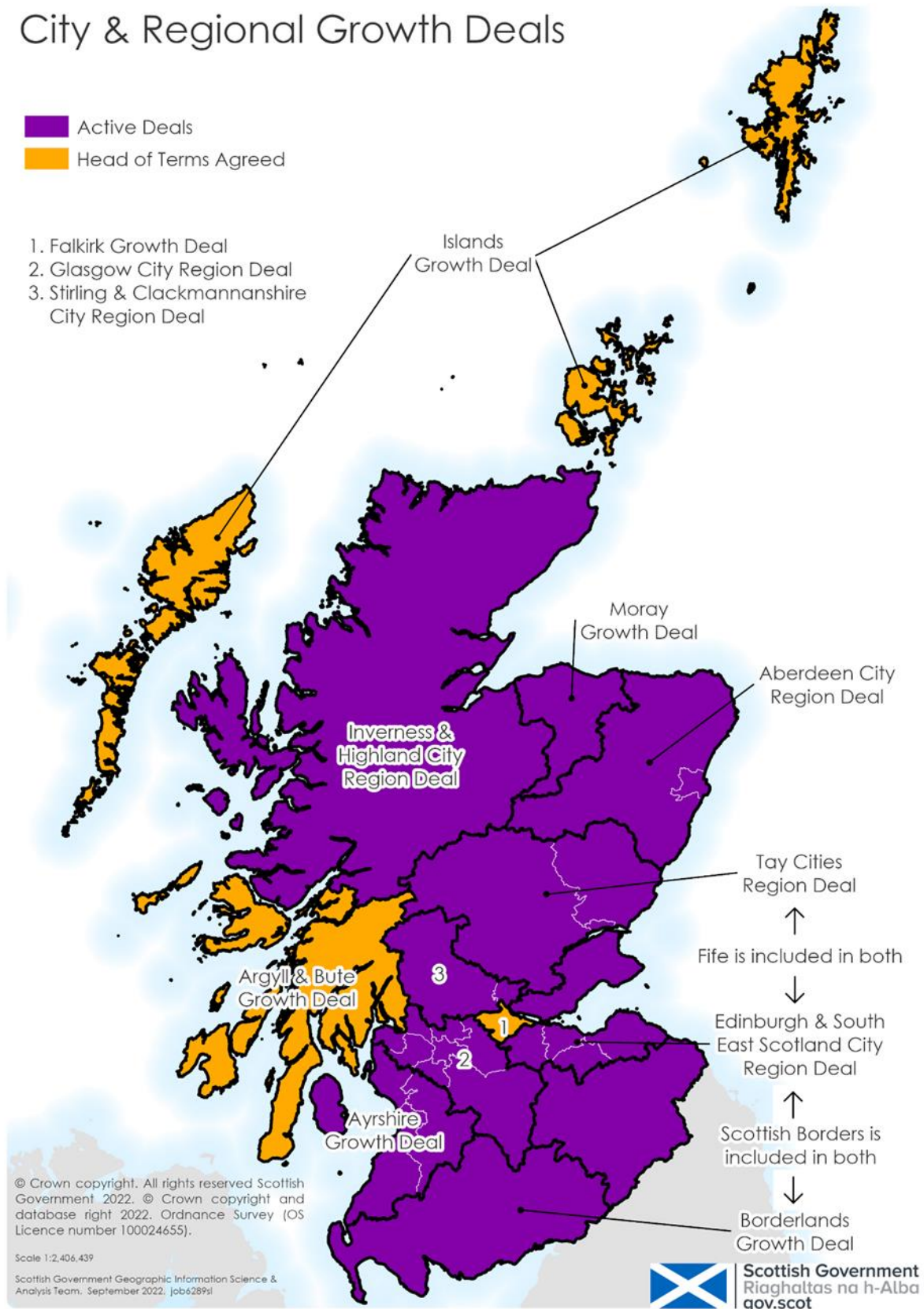
- Aberdeen City & Shire
- Ayrshire
- Edinburgh & South East
- Forth Valley
- Glasgow City
- Highlands & Islands
- South of Scotland
- Tay Cities



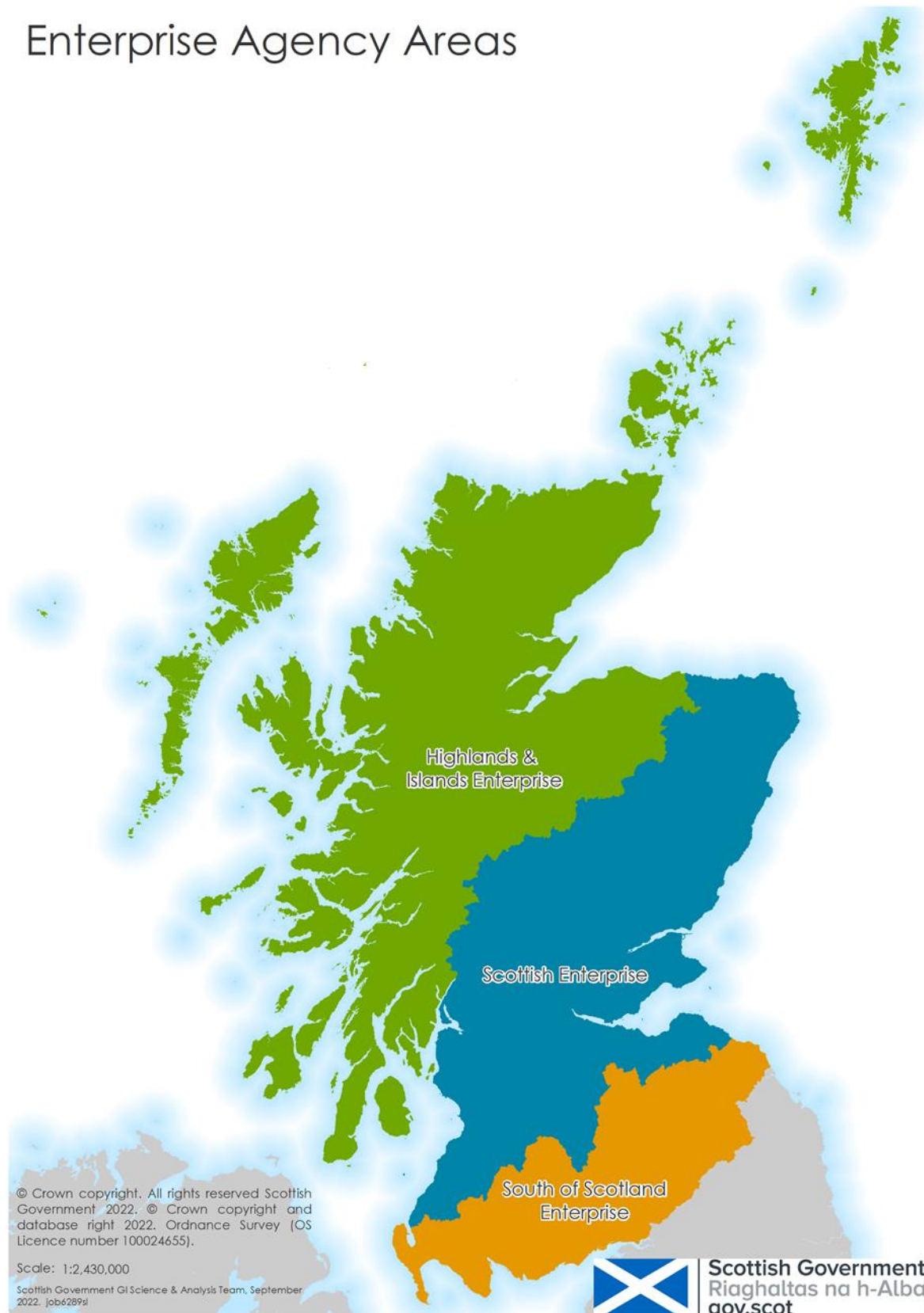
City & Regional Growth Deals

- Active Deals
- Head of Terms Agreed

1. Falkirk Growth Deal
2. Glasgow City Region Deal
3. Stirling & Clackmannanshire City Region Deal



Enterprise Agency Areas



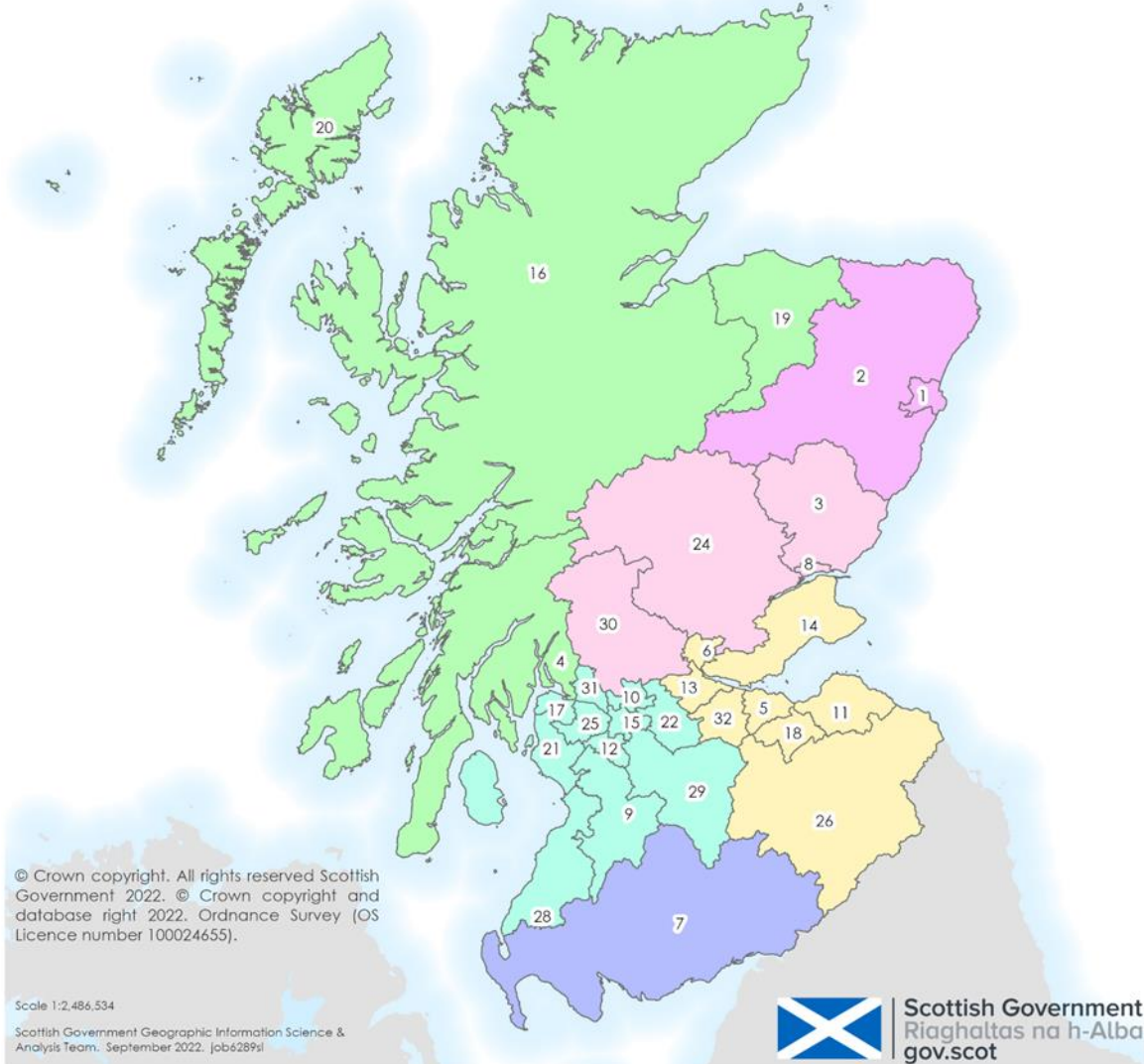
Regional Transport Partnerships

Local Authorities

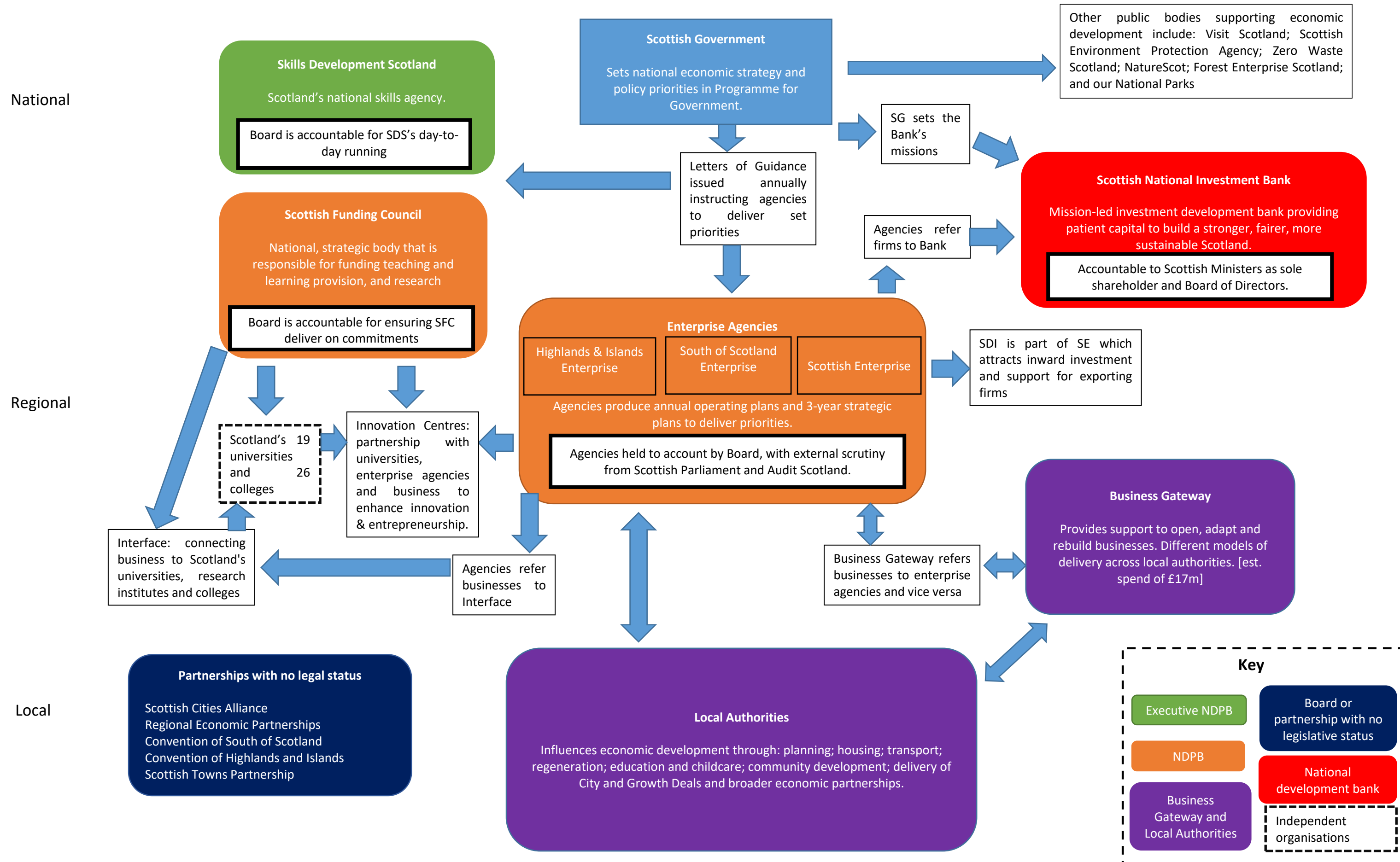
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|--------------------------|--------------------------|-------------------------|
| 1, Aberdeen City | 16, Highland | 31, West Dunbartonshire |
| 2, Aberdeenshire | 17, Inverclyde | 32, West Lothian |
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| 7, Dumfries and Galloway | 22, North Lanarkshire | |
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| 11, East Lothian | 26, Scottish Borders | |
| 12, East Renfrewshire | 27, Shetland Islands | |
| 13, Falkirk | 28, South Ayrshire | |
| 14, Fife | 29, South Lanarkshire | |
| 15, Glasgow City | 30, Stirling | |

Regional Transport Partnership

- Highlands and Islands (HITRANS)
- North East of Scotland (NESTRANS)
- Shetland Transport Partnership (ZetTrans)
- South East of Scotland (SESTRAN)
- South West of Scotland (SWESTRANS)
- Strathclyde Partnership for Transport (SPT)
- Tayside and Central Scotland (TACTRAN)



ANNEX E: Supporting Economic Development in Scotland



Further detail on the economic development landscape can be found here: [Economic development in Scotland \(azureedge.net\)](https://www.azureedge.net)



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