

Regional Economic Policy Review Paper 4

Paper 4 – Summary And Recommendations Regional Economic Policy Advisory Group

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1. Vision & Challenges

Vision

1.1 The Regional Economic Policy Advisory Group (REPAG) undertook this review with the intention of evidencing why, and in which policy areas, regional economic development works well and to create a set of recommendations that would serve as a starting point for Scottish Government to build upon.

1.2 This review follows the publication of the Scottish Government's National Strategy for Economic Transformation (NSET). NSET offers a stronger emphasis from the Scottish Government regarding the role they envisage for regional economies, articulating the policy direction and ambition for their contribution to transforming Scotland's economy.

1.3 Successful regional working is already evident in the City Region and Growth Deal Programme, which covers all of Scotland and to which the Scottish Government contributes £1.9 billion investment. The Deal Programme and Regional Economic Partnerships, alongside the agenda set out in NSET, provides the foundation for this review to set the trajectory for how regional economic policy can be delivered successfully in Scotland.

1.4 The Deal Programme is designed to bring about long-term strategic approaches to improving regional economies, aiming to harness additional investment, create new jobs and accelerate inclusive economic growth. However, the programme is finite, with Deals completing within 10-20 years. NSET recognises the value of regional working and it is vital that the Scottish Government build on the partnerships formed within regions under this programme to ensure that these do not dissolve post-programme.

1.5 The Regional Economic Partnerships (REPs – or their collaborative equivalent) are intended to offer that long-term security; galvanising regional working, the governance that underpins it, and using the Deals as a catalyst for further strategically planned growth.

1.6 REPs create and own their individual economic strategies, to drive innovation, and secure inward investment, linked to the Regional Investment Prospectuses which support the Vision for Trade set out by the Scottish Government. The overarching aim is to use regional strengths and new market opportunities to increase productivity whilst ensuring inclusive growth is used to combat regional inequalities.

1.7 The challenge of reducing the inequality within and between regions across Scotland is one every REP seeks to overcome, and the Scottish Government and their various National Agencies must work with them in a placed based manner to do this by promoting regional strengths and acting in a manner that emboldens every region to realise its potential.

1.8 The recommendations set out below focus on policy delivery, complementing the overarching agenda set out in NSET. It's important to set the recommendations

in the context of the various economic crisis Scotland faces, where public finances are strained across competing asks of equal importance. As a result, REPAG have set broad recommendations which will allow costed options to be scoped out by the Scottish Government in terms of how they might be successfully implemented.

1.9 The Co-Chairs of REPAG, Professor David Bell and Professor John Bachtler would like to take the opportunity to thank all members of the Advisory Group (listed in Annex B) for their valued contributions, expertise and thoughtful consideration relating to this review, which combined set the trajectory for a bold and entrepreneurial regional economic policy in Scotland.

2. Recommendations

Increasing Regional Autonomy – “Horizontal Accountability”

Recommendation

1. REPAG recommends that Scottish Government use the findings of this review to enhance regional autonomy and policy coordination through both the REPs and Scottish Government structures. This would make the reference to regional autonomy and empowerment in NSET more meaningful.

Challenge

Although there is an increased emphasis on regions and their autonomy by both the Scottish and UK Governments via the City Region and Growth Deal Programme, the reality is that there is a heavy weight of reporting that flows upwards to central government (Scottish and UK) who can at times make decisions in isolation, which ultimately undermines autonomy. Whilst strong accountability and auditing of the use of public funds is of course necessary, it is important that we strike the right balance between trusted partners, able to deliver at a pace that brings confidence to the private sector.

Expected Benefit

By making a stronger and more explicit statement around regional structures, the overarching aim is to support a greater degree of autonomy. The intention is to encourage increased regional autonomy involving parity of esteem, equal responsibility and integration across regional partners (known as “horizontal accountability”). Increased autonomy comes along with a move away from a top-down “vertical” approach of reporting to central government.

The absence of legislation for REPs is an advantage as it lessens the requirement for traditional vertical accountability to Government. Instead it encourages REPs to take responsibility, pursue shared solutions-focussed activity, responsiveness and entrepreneurial ambition reflecting specific regional economic nuances and priorities identified by the REP. Sharing in a collaborative manner between Scottish Government, Agencies and regional partners with a parity of esteem instead of the traditional reporting to Government.

REPAG identified key recent international trends in governance that underpins regional policies, which involved strengthening horizontal and vertical policy coordination; adaptation of governance structures to the demands of addressing regional challenges in a more targeted way, including shared value agreement and partnership based policy delivery; decentralisation, and a stronger emphasis on the quality and capacity of structures and capacity building.

Exploring How Best to Support REPs: Capacity Building

Recommendations

2. REPAG recommends that the Scottish Government explore how to build capacity within REPs to achieve the greatest benefit.

3. REPAG recommends that the Scottish Government ought to examine the current funding landscape across the public sector, using improved policy alignment to make more joined-up funding decisions, potentially using existing funding streams (channelled through REPs related accountable bodies to meet their strategic policy priorities) to support shared outcomes. This should include consideration of aggregating funding, with aligned eligibility criteria and timescales. This also ought to include future funding streams from UK Government, such as the UK Shared Prosperity Fund and how this might interact with the regional dimension.

4. REPAG recommends 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.

Challenge

The overarching principle is the same for each of the above recommendations: if regional activity and policy delivery are drivers of national aims relating to all aspects of a Wellbeing Economy, this cannot be achieved without Central Government support. Building institutional quality and capacity are priorities across the majority of stakeholders and countries REPAG have assessed as part of this review.

All regional partners consulted noted the capacity challenges they face, using limited resource to manage disparate, short-term pots of funding, with different timescales. Although funds will be tied to specific outcomes, there are times where these are very similar. If REPs are to do everything REPAG note they have the potential to, this will create additional asks of an already overburdened resource. It is therefore vital that the Scottish Government consider how best to support REPs in their activity, and what form any additional capacity might take so that it produces the greatest benefit. Given that strategic decisions must be based on robust evidence, the analytical hubs discussed in Papers One and Two are a logical starting point to explore.

Additionally, for Scotland's economy to transform, we must see greater input from private sector which requires strategic projects to be delivered at pace. REPs undoubtedly have a role to play here, certainly in terms of setting the vision for investment and outcomes.

Expected Benefit

By addressing the capacity challenges across regions, each REP could develop its own suitable delivery model with improved resource and operational activity. It would diminish the risk of lost potential, or the optics of additional asks without any supportive offer.

In understanding the funding landscape more, and aggregating funding in line with regional ambitions, the Scottish Government could ease much of the capacity burden on regional partners, allowing more time to work at a strategic level, adding value through partnership working with shared outcomes.

As we have seen in the north east, the route to sustained engagement with the private sector in the delivery of national economic ambition, as set out in NSET, is by demonstrating that their involvement in identifying and shaping activity leads to delivery. It is through tangible activity and benefits that private sector will stay involved, encouraging further inward investment via regional prospectuses. A sustainable model with continuity is key to achieving that.

Building resource capacity is critical, particularly in terms of enhancing analytical capacity. Intelligence hubs, as outlined in Paper Two, offer the region the opportunity to develop analytical capacity. Access to reactive data would lead to deeper knowledge, sound analysis, would ease monitoring and evaluation, and add to research on regional development challenges in Scotland. This would all be supported by novel, high quality data and indicators.

Strengthening Scottish Government Placed Based Policy Making

Recommendation

5. REPAG recommends far stronger placed based policy alignment and portfolio coordination across Scottish Government, using improved policy alignment to make more joined-up funding decisions, potentially using existing funding streams to support shared outcomes, and make Scotland a more attractive place to invest.

Challenge

Whilst efforts are always made to be aware of other policy areas, it is almost an inevitability that central governments can, at times, work in a manner that is somewhat disjointed. Funding can be channelled into the same region from several different budgetary portfolios and policy decisions made by different teams can impact the same area in misaligned ways. This way of working will only undermine the efforts of regional partners to develop and deliver strategies that speak to the specific strengths and challenges of their regions.

It is vital that the Scottish Government amplify the place based focus of regional working by coalescing around regional economic strategies.

Expected Benefit

This review provides a clear rationale for considering the inclusion of certain policy areas in Regional Economic Strategies e.g., Just Transition, Public Health, 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, and enhancing their offer to inward investment.

The Scottish Government ought to replicate this policy alignment; establishing placed-based regional, strategic decision making 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.

REPAG note that other countries recognise this necessary facet of successful policy design and implementation, with Canada collaborating between federal and

provincial governments to embed the regional lens in horizontal policies. Norway and Iceland have also made efforts to coordinate Ministerial portfolios to better track and understand activity, and proactively find ways to increase the impact of policy objectives within regions. Decision making with Scottish Government can only benefit from this kind of coordination, ensuring the refreshed culture of delivery highlighted as necessary within NSET flows right through all parts of Government.

Use of Existing Structures: REPs and their Memberships

Recommendation

6. REPAG recommends that the Scottish Government seek to raise the profile of REPs across public, private and third sector to enhance and promote the use of these existing regional structures to deliver policies with a regional dimension rather than creating new ones. This would include the National Agencies and extend into better aligning regional approaches to skills, business support, and addressing gaps between regional priorities and national ambitions.

Challenge

A common plea from stakeholders was that this review not result in additional structures being suggested. As is evident from the number of organisations listed in this review, the landscape of economic development is already complex.

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 the REPs as a funding recipient and strategic partner.

Expected Benefit

The policy co-ordination noted above will 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.

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.

This extends to including Scotland's National Agencies, scoping out how SDS, SFC and regions might further align to support Regional Skills Strategies that complement 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, agreeing how to close those gaps.

Improved Regional Analysis and Intelligence

Recommendation

7. REPAG recommends that as part of capacity building, the Scottish Government work with regional partners to explore establishing Regional Intelligence Hubs, akin to the Glasgow model (though modified to suit regional needs and building on existing capacity), and establishing a network that links them together.

8. REPAG recommends that regions facing high levels of economic challenge are prioritised to pilot Regional Intelligence Hubs, seeking to identify ways to close the productivity gap within and between regions in Scotland.

9. REPAG recommends that once established, Regional Intelligence Hubs could look to carry out horizon scanning and foresight analyses, working alongside OCEA to assess how national challenges might play out in each region. This could link in particular to net zero and Just Transition and sustainable development as a priority.

Challenge

Linked to the capacity challenge faced by regional partners is the specific issue around economic analysis. It is often the case that regional partners are forced to procure expensive consultants in order to produce the economic analysis required to have projects approved for Government funding, or support the development of strategic plans. Not only is this a budgetary strain, it does not allow regional partners to build expertise in-house, or apply such skills and analysis to wider work across the region. Additionally, without this expert capacity, the monitoring and evaluation involved in reporting on the outcomes and use of public funding is an added burden on already strained economic development departments.

We are also aware that it is not necessarily straightforward to develop a nuanced picture of how a regional economy is functioning given that data is often gathered at different levels and is not easily aggregated. Although it can be challenging to gather, this novel and nuance can support decision making around how best to use investment. At present it is an incredibly costly and time consuming undertaking for regional partners to obtain.

Expected Benefit

The Intelligence Hub established in Glasgow has led to greater data being captured by the region allowing them to use this data to support business case development, applications for funding, monitor progress amongst other benefits. It's the conclusion that the establishment of this Hub in Glasgow has been a cost-effective investment in capacity building that has sped up progress in the City Deal and allowed for evidence-based applications for Levelling Up funds and Green Port status, and most recently assessment of the impacts of the Cost of Living Crisis in the region, without having to procure outside contractors to capture the data.

Having such an Intelligence Hub in every region (linked to the REPs), and ensuring they connect to each other, would build sustained expertise within regions to carry out novel and creative economic analysis, providing far deeper and broader understanding of specific and nuanced regional strengths and challenges.

These intelligence hubs should seek to build upon, rather than duplicate the work of Scottish Government and National Agencies in providing labour market and economic intelligence. For example, Regional Skills Assessments are developed and used by SDS and its partners including: Highlands and Islands Enterprise, Scottish Enterprise, the Scottish Funding Council, Scottish Government, the Scottish Local Authorities Economic Development Group and the South of Scotland Enterprise.

Ideally, by making more refined intelligence led decisions regarding evidenced regional strengths, regional partners can invest in a way that super charges productivity and help to realise the ambition of more productive businesses and regions as laid out in NSET.

It is probable that over time the expertise and product of these Regional Intelligence Hubs will lessen the requirement for Local Authorities to procure consultants (benefit of reducing costs, procurement exercises and improve the time to complete, and quality of, project businesses cases within Local Authorities). Additionally, as the Regional Intelligence Hubs mature, they would offer Scottish Government a wealth of regional data and evidence to feed into its own analysis. Links could, and ought to, be made to the Wellbeing Monitor.

This review has highlighted certain national policy areas that have a clear regional application or delivery dimension. Canada have also recognised the spatial implications of global megatrends such as climate change, digitalisation and technological shifts. Policy Horizons Canada's work in scanning the policy horizons looking to identify policy opportunities within these trends, and analyses the implications of such changes looking at how this might impact regions.

Wellbeing Economy Metrics

Recommendation

10. REPAG recommends that the Scottish Government consider how REPs could make use of the Monitor when measuring the success of their Regional Economic Strategies, thereby making a direct link between regional endeavour and the transition to a wellbeing economy

11. REPAG recommends that the Scottish Government examine how any new economic development funding it provides could be allocated in a way that aligns with its Wellbeing Economy ambitions, taking into account the needs of different regions

Challenge

There is a risk that without some effort to link them together, regional economic benefits will not necessarily link to national outcomes in a way that ideally links to the Wellbeing Monitor.

Expected Benefit

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 can make use of the new Monitor and its metrics.

By ensuring REPs are a user of the Monitor and working with them to consider which of the metrics can be reported on at a regional level, the Scottish Government can evidence how regions contribute to NSET in a clear data driven manner.

Theme		Recommendation	Links to NSET
Horizontal Accountability	1	REPAG recommends that Scottish Government use the findings of this review to enhance regional autonomy and policy coordination through both the REPs and Scottish Government structures. This would make the reference to regional autonomy and empowerment in NSET more meaningful.	PROGRAMME 6: A NEW CULTURE OF DELIVERY Project 16: Strengthen accountability and transparency Project 17: Transform the way we deliver support to people and businesses across Scotland Project 18: Measure success
Exploring How Best to Support REPs: Capacity Building	2	REPAG recommends that the Scottish Government explore how to build capacity within REPs.	PROGRAMME 2: NEW MARKET OPPORTUNITIES Project 5: Build on Scotland's strengths to win an ever greater share of domestic and international market opportunities
	3	REPAG recommends that the Scottish Government ought to examine the current funding landscape across the public sector, using improved policy alignment to make more joined-up funding decisions, potentially using existing funding streams (channelled through REPs to meet their strategic policy priorities) to support shared outcomes. This should include consideration of aggregating funding, with aligned eligibility criteria and timescales. This also ought to include future funding streams from UK Government, such as the UK Shared Prosperity Fund and how this might interact with the regional dimension.	Project 7: Attract and deploy significant domestic and international private investment in Scotland PROGRAMME 3: PRODUCTIVE BUSINESS AND REGIONS Project 9: Upskill business and public sector leaders, pioneering new approaches to driving productivity improvements Project 10: Realise the potential of the different economic and community assets and strengths of Scotland's regions
	4	REPAG recommends 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.	PROGRAMME 6: A NEW CULTURE OF DELIVERY Project 16: Strengthen accountability and transparency Project 17: Transform the way we deliver support to people and businesses across Scotland
Strengthening Scottish Government Placed Based Policy Making	5	REPAG recommends far stronger placed based policy alignment and portfolio coordination across Scottish Government, using improved policy alignment to make more joined-up funding decisions, potentially using existing funding streams to support shared outcomes, and make Scotland a more attractive place to invest.	PROGRAMME 2: NEW MARKET OPPORTUNITIES Project 5: Build on Scotland's strengths to win an ever greater share of domestic and international market opportunities Project 7: Attract and deploy significant domestic and international private investment in Scotland PROGRAMME 3: PRODUCTIVE BUSINESS AND REGIONS Project 9: Upskill business and public sector leaders, pioneering new approaches to driving productivity improvements Project 10: Realise the potential of the different economic and community assets and strengths of Scotland's regions PROGRAMME 6: A NEW CULTURE OF DELIVERY Project 16: Strengthen accountability and transparency Project 17: Transform the way we deliver support to people and businesses across Scotland

Use of Existing Structures: REPs and their Memberships	6	<p>REPAG recommends that the Scottish Government seek to raise the profile of REPs across public, private and third sector to enhance and promote the use of these existing regional structures to deliver policies with a regional dimension rather than creating new ones. This would include the National Agencies and extend into better aligning regional approaches to skills, business support, and addressing gaps between regional priorities and national ambitions.</p>	<p>PROGRAMME 2: NEW MARKET OPPORTUNITIES Project 5: Build on Scotland’s strengths to win an ever greater share of domestic and international market opportunities Project 7: Attract and deploy significant domestic and international private investment in Scotland</p> <p>PROGRAMME 3: PRODUCTIVE BUSINESS AND REGIONS Project 9: Upskill business and public sector leaders, pioneering new approaches to driving productivity improvements Project 10: Realise the potential of the different economic and community assets and strengths of Scotland’s regions</p> <p>PROGRAMME 6: A NEW CULTURE OF DELIVERY Project 17: Transform the way we deliver support to people and businesses across Scotland Project 18: Measure success</p>
Improved Regional Analysis and Intelligence	7	<p>REPAG recommends that as part of capacity building, the Scottish Government work with regional partners to explore establishing Regional Intelligence Hubs in every region, akin to the Glasgow model (though modified to suit regional needs), and establishing a network that links them together.</p>	<p>PROGRAMME 1: ENTREPRENEURIAL PEOPLE AND CULTURE Project 1: Embed first rate entrepreneurial learning across the education and skills systems Project 4: Build an entrepreneurial mind-set in every sector of our economy</p> <p>PROGRAMME 2: NEW MARKET OPPORTUNITIES Project 5: Build on Scotland’s strengths to win an ever greater share of domestic and international market opportunities Project 7: Attract and deploy significant domestic and international private investment in Scotland</p> <p>PROGRAMME 3: PRODUCTIVE BUSINESS AND REGIONS Project 9: Upskill business and public sector leaders, pioneering new approaches to driving productivity improvements Project 10: Realise the potential of the different economic and community assets and strengths of Scotland’s regions</p> <p>PROGRAMME 4: SKILLED WORKFORCE Project 11: Adapt the education and skills system to make it more agile and responsive to our economic needs and ambitions Project 13: Expand Scotland’s available talent pool, at all skills levels, to give employers the skills pipeline they need to take advantage of opportunities</p> <p>PROGRAMME 6: A NEW CULTURE OF DELIVERY Project 16: Strengthen accountability and transparency Project 17: Transform the way we deliver support to people and businesses across Scotland</p>
	8	<p>REPAG recommends that regions facing high levels of economic challenge are prioritised to pilot Regional Intelligence Hubs, seeking to identify ways to close the productivity gap within and between regions in Scotland.</p>	
	9	<p>REPAG recommends that once established, Regional Intelligence Hubs could look to carry out horizon scanning and foresight analyses, working alongside OCEA to assess how national challenges might play out in each region. This could link in particular to net zero and Just Transition and sustainable development as a priority.</p>	
Wellbeing Economy Metrics	10	<p>REPAG recommends that the Scottish Government 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.</p>	<p>PROGRAMME 3: PRODUCTIVE BUSINESSES AND REGIONS Project 10: Realise the potential of the different economic and community assets and strengths of Scotland’s regions</p> <p>PROGRAMME 6: A NEW CULTURE OF DELIVERY Project 16: Strengthen accountability and transparency</p>

	11	REPAG recommends that the Scottish Government 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.	Project 17: Transform the way we deliver support to people and businesses across Scotland Project 18: Measure success
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Annex B

Name	Organisations
Professor David Bell (Chair)	University of Stirling
Professor John Bachtler (Co-Chair)	University of Strathclyde
Councillor Dr Steven Heddle	Convention of Scottish Local Authorities
Jennifer Tempany	Forth Valley College
Kevin Rush	Glasgow City Council
Robin Clarke	Highlands and Islands Enterprise
Robbie Kernahan	NatureScot
Cornilius Chikwama	OCEA, Scottish Government
Jennifer Craw	Opportunity North East
Anna Fowlie	Scottish Council for Voluntary Organisations
Douglas Colquhoun	Scottish Enterprise
C McPherson	Scottish Funding Council
Malcolm Leitch	SLAED
Christine Mulligan	Skills Development Scotland
David Coyne	Skills Development Scotland
David Ford	South of Scotland Enterprise
Alan Runcie	Transport Scotland
Ken Massie	VisitScotland
David Cowan	Scottish Government
Gill Gunn	Scottish Government
Jessie Laurie	Scottish Government
Julie-Ann Bilotti	Scottish Government
Karen McAvenue	Scottish Government
Kimberley Daly	Scottish Government
Polly le Grand	Scottish Government
Rachel Phillips	Scottish Government
Fiona Loynd	Scottish Government
Christine Johnstone	Scottish Government
Hannah Reid	Scottish Government (Secretariat)



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