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Public Service Reform and the Economic Development Landscape in Scotland

Final Report

[redacted – S38(1)(b)]
December 2023

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1 Executive Summary

This report aims to explore and address the complexities of public service reform in the economic development sector in Scotland. It aligns with key strategic documents such as the National Strategy for Economic Transformation, the FM's Policy Prospectus, and the Medium-Term Financial Strategy. The central questions posed include the role of the Scottish Government in policy setting and implementation, the optimal relationship between national agencies and the government in economic development, the effectiveness of Regional Economic Partnerships, and the required technical architecture.

As the study progressed, additional concerns emerged, including the optimisation of the current economic development landscape, the need for greater efficiencies amid resource constraints, and the balance between immediate changes, intermediate reforms, and long-term transformation. The report synthesises potential solutions to these challenges and proposes recommendations and next steps for DGE to advance a successful reform programme in the economic development landscape. The overall goal is to align with the government's economic and well-being objectives while ensuring sustainable growth and minimising negative impacts on finances and delivery.

Vision
An Integrated and Lean Economic Development System across Scotland, built on Trust, Partnership and Expertise

This draft vision statement is developed from the conversations and evidence gathering that I undertook and aims to reflect a straightforward approach to economic development where systems are focussed on delivering deliver tangible results, are characterised by integration, efficiency, and reliability, and are built on built on trust, partnership, and expertise.

Guiding Principles
A number of key principles to underpin work in this area emerged from discussions and evidence gathering

- Mainstreaming PSR as a key function of DGE
- Acting as one system
- Cost reduction
- User-Centric Engagement and Design
- Operational Simplicity
- Quality Over Quantity
- Clear Communication
- Excellent Execution

Risks and Challenges
The report highlights challenges and risks in public service reform for economic development in Scotland. Challenges from evidence gathering include resistance to change, lack of clarity, financial constraints, governance issues, regional disparities, political and judicial risks, complexity in the economic landscape, scrutiny problems, and integration challenges. Mitigation options include change management plans, prioritised spending, streamlined governance, regional policies, diversified funding, guidance for navigating the landscape, robust evaluations, transparency enhancements, and frameworks for agency integration.

The PESTLE and SWOT analysis identifies political strengths with local leaders, economic strengths in financial planning, social strengths in transparent communication, technological strengths in data management, legal strengths in regular reviews, and environmental strengths in robust data protocols. Weaknesses include negative perceptions, financial constraints, resistance to change, operational risks, legal risks, and fragmented data collection. Opportunities include local engagement, innovative funding, community partnerships, technological investment,

legal engagement, and data governance. Threats encompass **[redacted – S29(1)(a)]** budgetary constraints, political sensitivity, and data security concerns.

Recommendations
To address these challenges the prosed set of recommendations focuses on cultivating a culture of continuous improvement, enhancing collaboration, and streamlining financial processes. The proposals, outlined succinctly below, aim to ensure impactful and sustainable reforms:

1. **Embed PSR as a Key DGE Function**
   These initiatives aim to institutionalise PSR in DGE as an ongoing, well-supported endeavour, building on existing resources and driving cultural change.

- Establishing an SG-led PSR Lead Team to formalise commitment.
- Strengthening Governance and Reporting for clearer objectives.
- Launching an "Economic Executive Leadership Interchange Programme" to foster collaboration across the system.

2. **Structural and Organisational Development**
   These actions aim to bring predictability to reviews, foster collaboration between agencies and partnerships, and strategically review SME support services.

- Introducing a Predictable Public Bodies Review Programme for transparency.
- Piloting Integrated Working for Enterprise Agencies and REPs for enhanced collaboration.
- Conducting a Rapid Review of SME Support Services to align with evolving objectives.

3. A**ccelerate Financial Transformation**
These steps aim to streamline financial processes, enhance resource allocation, and support the empowerment of Regional Economic Partnerships.

- Conducting a Rapid Review of Business-facing Funds for efficiency.
- Positioning DGE as a Trail Blazer for REPs, fostering regional empowerment.

4 Boost Digital Transformation
These digital initiatives look to transform customer experiences, increase efficiency, and provide robust management information across the economic development landscape.
- Initiating a Joint Digital Reform Program for comprehensive digitization.
- Driving DGE Digital Transformation to leverage AI capabilities for improved processes.

Together these recommendations offer a strategic roadmap for reform, emphasising cultural change, collaboration, financial efficiency, and digital innovation to drive Scotland's economic development forward.

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2. Introduction, Background and Objectives

The purpose of this report is to set out the background to public service reform in the economic development landscape in Scotland, analyse the challenges and opportunities and propose a number of future work streams to push this work ahead in a manner that is consistent with the overall direction of public service reform as set out in key documents such as the National Strategy for Economic Transformation, the FM's Policy Prospectus, and the Medium Term Financial Strategy, published in March 2023.

Key questions to be answered with regard to public service reform and economic development were set in the commission email:

- What is the role of Scottish Government? In particular what is the appropriate balance between policy setting and "on the ground" delivery, how the business community influences the policy making process and if there are functions being carried out by Scottish Government that should be carried out more appropriately elsewhere?
- What is the role of National Agencies? What is the optimum inter-relationship between our economic delivery agencies and the SG across the broad economic development space.
- How can Regional Economic Partnerships surface and deliver against specific regional economic priorities including the issue of the operating model and resources that these partnerships require to be effective. And how can these sit alongside other place initiatives and agencies.
- What technical architecture do we need to make this work?

As my work progressed it was clear there were additional questions that consultees both internal and external felt needed addressed. These included:

- Is the current economic development landscape optimised to deliver on the economic and well-being ambitions of the Scottish Government?
- How can we drive greater efficiencies across the system in the context of increasing pressure on resource and capital budgets that are set to continue into at least the medium term?
- How can we ensure that public service reform does not it have a negative impact on economic growth nearby contributing to rather than alleviating financial and delivery pressures?
- What is the balance between immediate change, intermediate reforms and complete long term transformation?

Vision and Guiding Principles
A clear vision along with a set of expectations and principles emerged from the discussions and evidence gathering and these are summarised below:

Vision: An Integrated and Lean Economic Development System across Scotland, built on Trust, Partnership and Expertise

This draft vision statement is developed from the conversations and evidence gathering that I undertook and aims to reflect a straightforward approach to economic development where systems are focussed on delivering deliver tangible results, are characterised by integration, efficiency, and reliability, and are built on built on trust, partnership, and expertise.

Guiding Principles

1. Mainstreaming PSR in DGE:

PSR is a core function within DGE, ensuring continuous improvement and shaping long-term economic development strategies.

2. Acting as One System:
Acting as a holistic system is crucial, uniting strengths and skills and fostering a cohesive approach to economic development.

3. Cost Reduction
Initiatives must prioritise efficiency, optimal resource allocation and sustainable financial practices.

4. User-Centric Engagement and Design
Successful PSR co-creates solutions with communities and customers and focuses on meaningful engagement and impacts.

5. Operational Simplicity
A system which is agile, responsive and adaptable is the key aim for economic development.

6. Quality Over Quantity
Emphasis on a small number of high-quality, impactful interventions

7. Clear Communication
Transparency is key, with clear communication to foster trust and understanding across stakeholders.

8. Excellent Execution
We need to spend as much effort on implementation as system design.

The rest of this report synthesises the potential ways that we could address these questions and challenges, minimise the risks and sets out a proposed set of recommendations and next steps that DGE could take in order to drive forward a successful programme of reform across the economic development landscape.

3 Overview of Key Challenges and Risks

There are a range of challenges that I identified during the course of my work coming from both literature and the conversations I had with internal and external actors. I have summarised these below and they fall into two different categories: firstly the risks and challenges that emerged from primary evidence gathering and my literature review and secondly the key external factors that could affect the delivery of a coherent programme of public service reform. These are summarised below and include PESTLE and SWOT analyses and proposed mitigations.

1 Challenges from Evidence Gathering

1. Resistance to Change
- Challenges in overcoming resistance to cultural and behavioural changes.
- Political and public reluctance to accept substantial changes.
- Organisational fear of change affecting the implementation process.

2. Lack of Clarity and Vision
- Insufficient clarity in objectives and communication.
- Lack of a clear vision for the proposed changes.

3. Financial Constraints and Resource Allocation
- Budget constraints impacting the ability to implement changes effectively.
- Challenges in allocating resources adequately
- Resource limitations impacting the effectiveness of proposed changes.
- Delays in agency involvement in policy development due to resource constraints.
- Long-term planning challenges and potential financial risks.

4. Governance and Organisational Fragmentation
- Complex governance structures hindering the transition to a place-based approach.
- Fragmentation of economic development activities.
- Frequent personnel changes impacting continuity and delivery.

5. Regional Disparities and Policy Continuity
- Risks associated with regional disparities and policy continuity.
- Challenges in ensuring coordination and complementarity across regions.
- Risks related to community cohesion and identity.

6. Political [redacted – S29(1)(a)]
- Political risks due to funding shortfalls.

[redacted – S29(1)(a)]

7. Complexity in Economic Development Landscape
- Challenges for business and officials in navigating the complex economic development landscape.
- Potential inefficiencies due to a fragmented organisational structure.

8. Inadequate Scrutiny and Evaluation
- Risks associated with inadequate structural and policy changes.
- Challenges in evaluating the effectiveness of spending.

9. Transparency and Communication Challenges
- **[redacted - S30(b)(i)]]**
- Communication challenges leading to a lack of clarity.

10 . Integration Challenges for Enterprise Agencies
- Challenges in integrating efforts across enterprise agencies.

- Low product uptake and potential inefficiency in collaborative efforts.

Risk Mitigation

Options for mitigation are below and these are reflected in the recommendations:

Risk Theme	Mitigation Options
1. Resistance to Change	Develop a comprehensive change management plan with clear communication strategies.
	Conduct stakeholder engagement and communication campaigns to address public and political concerns.
2. Lack of Clarity and Vision	Clearly define objectives and communicate the vision for proposed changes.
3. Financial Constraints and Resource Allocation	Prioritise spending based on critical needs and potential long-term benefits.
	Explore alternative funding sources and partnerships.
	Implement phased resource allocation to mitigate resource limitations and delays.
4. Governance and Organisational Fragmentation	Streamline governance structures and establish a unified oversight mechanism.
	Develop strategies to minimise fragmentation, such as standardised processes and collaboration platforms.
5. Regional Disparities and Policy Continuity	Boost policies such as REPs that address regional disparities and ensure policy continuity.
	Facilitate coordination mechanisms and address information gaps
6. Political and [redacted – S29(1)(a)]	Diversify funding sources to reduce risks due to funding shortfalls.
7. Complexity in Economic Development Landscape	Provide guidance and support tools for businesses and officials navigating the complex landscape.
	Streamline organisational structures to minimize inefficiencies.
8. Inadequate Scrutiny and Evaluation	Establish robust evaluation frameworks for structural and policy changes.
	Conduct regular assessments to ensure ongoing effectiveness and adjust policies as needed.
9. Transparency and Communication Challenges	Enhance transparency **[redacted - S30(b)(i)]]**
	Improve communication channels, utilizing various mediums to reach diverse stakeholders.
10. Integration Challenges for Enterprise Agencies	Develop a framework for integrating efforts across agencies.
	Provide incentives for collaboration and streamline processes to improve efficiency.
	Evaluate and adjust strategies to enhance product uptake and collaborative efficiency.

2 PESTLE and SWOT

The PESTLE analysis below summarises the key external risks and analyses them across SWOT headings:

Theme	Aspects	Strengths	Weaknesses	Opportunities	Threats
Political	Local Political Risks	Strong relationships with local leaders. VHA and buy in for Regional Empowerment	Negative perceptions, **[redacted – S29(1)(a)] [redacted - S30(b)(i)]]** and perception of SG approaches	Engagement in local dialogue, impact assessments.	Political sensitivity, delayed consideration of issues.
	National Political Risks	Political support, engagement with Minsiters	Risks due to funding shortfall; **[redacted - S30(b)(i)]]**	Building strong relationships with ministers by demonstrating quick wins.	Political sensitivity, budgetary constraints.
Economic	Financial Planning	Comprehensive financial planning and skilled staff	Financial constraints, budgetary oversight.	Innovative funding models, public-private partnerships.	Budgetary constraints, ongoing resource limitations.
	Strategic Resource Allocation	Prioritising initiatives based on importance.	Inadequate resource allocation.	Addressing only market failure?	**[redacted - S30(b)(i)]]**
Social	Community and Stakeholder Engagement	Transparent communication and vision.	Resistance to change, community cohesion challenges.	Community and Local partnerships, collaborative efforts; CWB; REPs	Political sensitivity, negative perceptions.
	Public-Private Partnerships	Collaboration and joint planning.	**[redacted - S30(b)(i)]]**	Collaborative efforts, strategic resource allocation.	Resistance to change, complexity in establishing policies.
Technological	Innovation and Technology Adoption	Data management protocols and technology infrastructure.	Operational and performance risks.	Investment in technology infrastructure.	Resistance to change, complexities in collaborative efforts.

Legal	Legal Risks	Regular reviews to identify and address legal risks.	**[redacted – S29(1)(a)]** political and legal risks.	Political and legal engagement strategies.	Legal risks, complexity in establishing policies.
Environmental (Digital)	Data Security Concerns	Robust data management protocols.	Fragmented data collection, resource limitations.	Implementation of data governance policies.	Data security concerns, missed data collection opportunities.

4 Recommendations and Draft Logic Model

The following recommendations draw on the evidence, risks, challenges and analysis that are summarised above and are provide as a set of clear actions that could be taken to drive reform in the short medium and long term.

I have tried to ensure that the actions are achievable, affordable, transparent focussed on both outputs and cost reduction and deliver clear outcomes that will demonstrate change to both the Permanent Secretary, Ministers and stakeholders across the system.

In summary the recommendations are:

1 Invest in Culture Change - Embed PSR as a Key DGE Function
- Establish an SG led Cross Partner PSR Lead Team
- Strengthen Governance and Reporting
- Establish an "Economic Executive Leadership Interchange Programme" for Leaders Across the System

2 Create a Framework for Structural and Organisational Development
- Establish a Rolling Economic Development Public Bodies Review Programme
- Establish Integrated Working Pilots for Enterprise Agencies (SE) and REPs
- Review Delivery of SME Support Services

3 Increase Pace of Financial Transformation
- Rapid Review of all business facing funds across SG
- DGE as a Trail Blazer

4 Increase Scale and Pace of Services Digitisation
- Establish a joint programme of digital reform
- DGE Digital Transformation

More detail on each is below:

Recommendation 1: Invest in Culture Change - Embed PSR as a Key DGE Function

Public Service Reform is not a once and done endeavour. We should recast this as "Continuous Improvement" and embed it as a key part of our overall economic development agenda that is resourced for the long term.

1.1: Establish an SG led Cross Partner PSR Lead Team

[redacted - S30(b)(i)]] We need to establish a team to drive forward a clear work programme and lead the development of a culture of continuous improvement across the economic policy delivery landscape.

We can build this on existing resources and activity: the Business Support Transformation Division in Business and Better Regulation Directorate is already leading on activity related to PSR, notably the collaborative work with the Business Support Partnership[1] (BSP) to improve the business support offer to firms across Scotland. We can therefore build on the work of the BSP to drive this: it is a strong and well-integrated collaborative of key delivery leads and with increased visibility will be make a major contribution the delivery of reform.

[1] The Business Support Partnership was born out of the 2017 Enterprise and Skills Review and its key aim is to improve and streamline the public sector's support for and engagement with businesses across Scotland. It brings together all the core public sector delivery partners in the economic development space, including the Scottish Government, and is currently the only forum where they work together looking at service improvement.

Resourcing
The current level of PSR focussed resource across DGE **[redacted - S30(b)(i)]]** and would not be able to take on any of the additional PSR activity outlined in this report. But resourcing, whilst challenging, can be addressed in an innovative manner: for example, we should consider using a "loan" system, drawing on talent from across DGE. These need to be either long term project based "secondment" type loans, where a member of staff transfers for at least 6 months. We can also consider job share type arrangements where a member of staff spends an agreed part of their week with the PSR team.

We should also make use of inward secondments from other parts of the economic development system to ensure we accessing talent from across the whole landscape: this will demonstrate that reform is a collective endeavour as well as pulling in different types of expertise and knowledge. And finally, as some of this work is about service delivery some of the work will need to be led by partners in the enterprise agencies, business gateway and other organisations, with leadership from the Scottish Government

The role of this team will be to consider policy objectives, analyse if we have the system to achieve this and tweak/change as necessary. Specific activities will include:

Landscape and Governance Reform
- Establish an Economic Development Public Bodies Review Programme in line with the broader PSR programme;
- Establish governance and reporting channels;

Lead the review of the SME support and services and **[redacted – S29(1)(a)]**
- Oversee EA/REP pilots
- Continue work on Business Support reform and take on the role of SG BSP lead

Finance Reform
- Undertake a rapid review of SG business facing funds, and use this to create a service map, that will allow us to understand at any given time what is being currently being offered to businesses and provide evidence to inform decision making about policy development and sunsetting.
- Work with RED on the DGE trailblazer plan

People Development
- Establish and implement an Economic Executive Leadership Interchange Programme
- Implement an Economic Development CPD Programme for all economic development staff

Digital Reform
- Act as the owner for the digital spine, develop new use cases building on existing BSP work plans
- Create a consistent set of management information which can then be used system wide to support decision making on business support products and provide monitoring and evaluation data on the impact of our work.
- Work with Digital to develop internal pilots for economic specific activities including claim management and business case analysis

Policy Reform
- Advocate and explain the contribution of economic development across SG and the wider landscape
- Use wider support mechanisms such as the CILab[2] (Collective Intelligence Lab run by the UKG's Policy Lab) to ensure that we are reflecting fresh and diverse perspectives across all our work

In addition, it may be useful to consider how the sponsorship function and the regional economic development team fit with this work: both have a key role to play in PSR but do not necessarily need to

[2] https://openpolicy.blog.gov.uk/2021/11/04/crowdsourcing-policy-how-can-collective-intelligence-improve-policymaking/

be integrated into a new PSR team. All work in this space needs to be allocated in an effective manner that does not duplicate existing activity.

Christie "4 Ps" Alignment: Partnership; Performance

1.2 Strengthen Governance and Reporting

Each part of the system has its own governance and reporting routes: EAs have their own boards, Business Gateway reports into both individual local authorities and an overall BG governance board; SG reports into Ministers and NSET portfolio and delivery boards. **[redacted – S29(1)(a)]**

[redacted – S29(1)(a)]

I propose that partners all continue to use their own governance mechanisms but that the central SG team reports directly on joint reform activities undertaken by the partnership to the NSET Portfolio Board - a group currently comprised of senior level representatives from across the public sector economic development space - on at least a bi-annual basis. It is then the responsibility of the board to challenge and scrutinise progress across the full reform process and ensure that progress is reported back into their own areas.

Christie "4 Ps" Alignment; Performance

1.3 Establish an "Economic Executive Leadership Interchange Programme" for Leaders Across the System

As flagged above, and in line with collaborative New Public Governance approach which underpins policy development in Scotland, in order to effect positive change in Scotland's economic performance, actors in the economic development landscape need to consider themselves as part of an expert collective pushing towards an agreed vision. The Business Support Partnership is part of this but we are not fully there yet – **[redacted – S29(1)(a)]**.

[redacted – S29(1)(a)]

My proposal is that firstly DGE establishes an economically focussed and cost neutral interchange scheme, which would create a rotation of short secondments for senior and aspiring leaders in economic development. The aim would be to immerse leaders from around the system in partner workplaces, developing mutual understanding, boosting skills and creating a strong network of economic leaders across Scotland.

This would help to meet the NSET recommendation around improvements to public sector leadership and productivity - resourcing constraints has meant that this area has been on the backburner since the strategy was launched. Such a move would also be in line with more general initiatives such as the Coaching & Leading Improvement in Complex Systems (CLICS) programme.

Secondly, we should continue to invest in economic policy making CPD for all staff, building quickly on the L&D offer already in place.

Christie "4 Ps" Alignment: People

Recommendation 2: Create a Framework for Structural and Organisational Development

2.1: Establish a Rolling Economic Development Public Bodies Review Programme

[redacted - S30(b)(i)]]

Cabinet Office has committed to a public bodies review programme, and this is something with the PSR directorate will be learning from as their programme moves forward.

Establishing a predictable review rhythm for reviews means everyone in the system understands what they are working towards, how they will be assessed and how their performance will be rewarded or sanctioned. It also allows for greater transparency for the public and the Parliament to understand how the economic development system is impacting across key objectives.

This also allows our public bodies some breathing space – they know what they are working towards and when. Whilst this provides some long-term clarity for all in the system, it needs to be framed in such a way as to allow for unexpected events and budgetary flex.

Christie "4 Ps" Alignment: Partnership; Performance

2.2: Establish Integrated Working Pilots for Enterprise Agencies (SE) and REPs

The reform agenda is creating a range of multifaceted challenges for the EAs. These include a shift in their historical roles, fostering collaboration across the system, strategically aligning operations with evolving financial constraints and mission objectives, and crucially, adapting to regional policy recommendations which envisage a much more active economic development role for the REPs.

The first two recommendations in the Regional Policy Review are for SG to develop tools to empower and build capacity in REPs. The review also calls for caution regarding the creation of new bodies and recommends that national agencies - especially our enterprise agencies - and REPs work more closely together to drive placed based economic development**.**

For Highlands and Islands Enterprise (HIE) and South of Scotland Enterprise (SOSE), this role is challenging but arguably easier to play: it is part of their core mission to support communities and smaller businesses. They are both also the lead partner in their local REP whereas Scottish Enterprise (SE) is a partner, but not the lead partner, in REPs across central and northeast Scotland

The main reason for this is that SE was created as a national economic development agency and central teams traditionally had little to do with SME or community engagement. They did however oversee a network of Local Enterprise Companies (LECs) covering most of Scotland (other than in the Highlands and Islands where LECs reported to HIE) who delivered economic support to business at a more local level. This network was disbanded in 2007/8 and much of SE's the subnational work with SMEs was transferred across to the Business Gateway teams in the Local Authorities (CHECK THIS), with SE retaining a more minor interest.

More recently SE along with the other enterprise agencies, has been working within an increasingly tight financial framework, and the squeeze on budgets is set to continue. In light of this SE has made some major changes to its operating model, the main outcome of which is that they will now focus on delivering three key missions (innovation, internationalisation and investment) and deprioritise or stop activity which is not in line with these aims.

Therefore, in order to deliver lasting systemic reform and better outcomes for the full range of our economic development investment we need to establish new approaches to collaborative working between SE and the REPs. This should focus on agreeing roles and responsibilities, understanding handoffs, and developing joint solutions to key challenges.

I propose that we use **[redacted – S38(1)(b)]** to drive forward this work, using more mature REPs as pilot areas (Glasgow and Edinburgh as they are already flagged in the most recent PfG for this) for new ways of working. Over the course of 2024 this work will:

- Align Scottish Enterprise's economic development objectives with regional economic development initiatives by forging connections and synergies between SE's strategic goals and the diverse economic development efforts at the regional level.
- Develop and implement a framework that aligns Scottish Enterprise's economic development objectives with regional economic plans, fostering coordinated efforts and targeted interventions to ensure that key REPs' & SE's strategic goals align to achieve cohesive and impactful economic growth initiatives.
- Design and implement specific action plans that connect SG's regional economic policies with SE's operational strategies at the regional level.

Using the SE missions as a starting point, develop specific activities which can include:

- **Strategic Partnership Development**

Develop a framework for collaboration that leverages the strengths of both entities in driving regional economic development.

- **Integrated Planning and Implementation**

Establish pilot projects to ensure initiatives are aligned such as joint planning sessions, shared data and insights, and coordinated efforts to address regional challenges.

- **Flexible Funding Models**

Explore flexible funding models that allow both REPs and enterprise agencies to allocate resources based on the unique needs of their regions.

- **Shared Performance Metrics**

Develop shared performance metrics to assess the impact of joint work and provide a common framework for evaluating success.

- **Digital Platforms for Collaboration and Community Engagement**

Pilot the use of digital platforms and tools that facilitate real-time collaboration and information sharing between REPs and enterprise agencies and allow citizens to understand and contribute to this work.

Christie "4 Ps" Alignment: Partnership

2.3: Review Delivery of SME Support Services

Within the framework of a longer-term reform programme, we should also carve out space for shorter term rapid evaluations and reviews. Given the level of ministerial interest in SMEs and the fact that we have not undertaken a strategic SG led review of this area for many years, I propose that the that the first of these focusses on delivery of support and services to SMEs.

The review should consider both the policy aims, the current delivery model and effectiveness of products and services on offer. **[redacted – S29(1)(a)]** A key part of the review should be to consider the shape of the delivery landscape, **[redacted – S29(1)(a)]**.

Business Gateway Background

Until 2008, responsibility for the delivery of services to SMEs had been part of the role of the Local Enterprise Company (LEC) Network. Each of the 12 LECs supported businesses across a region - eg Glasgow or Forth Valley – and they all reported in to either SE or HIE. The LECs were disbanded in 2008 and their SME responsibilities were transferred to the Local Authorities which became the Business Gateway (BG) Network. The BG network still operates using the same model as 2008 and has broadly the same amount of funding allocated to it from SG : £16m PA. This funding goes to a lead LA (Dundee: £2m is used to support a central team and the rest is allocated to the groupings of LAs which still mirror

the old LEC areas. In each area one LA is allocated funding which it distributes to the rest of the LAs in the region who can then choose to spend it as they like.

Christie "4 Ps" Alignment: Partnership; Performance; Prevention

Recommendation 3: Increase the Pace of Financial Transformation

The Regional Economic Policy review from Dec 22 proposed a number of recommendations one of which was aggregating relevant economic development funding from across SG and using the REPs as "hubs" to deliver this. Some funding streams have already been identified for aggregation and a proposal made to pilot this with Edinburgh REP. In addition to this I propose:

3.1: Rapid Review of all business facing funds across SG

This is a reasonable next step for the aggregated funding work. We should consider all business facing funds across the SG – so anything where an SG team has a direct funding relationship with firms OR is directly managing a third party contract with a provider outwith the public body or LG network - and decide if we need them, if they can be reduced and if they can delivered by our enterprise network or regional / local partners.

This needs to be done in partnership with the PSR and LG teams and completed during FY 24/25 with a view to transfers and changes taking place in FY 25/26.

Christie "4 Ps" Alignment: Prevention

3.2: DGE as REP Trail Blazer

[redacted – S29(1)(a)]. We have already shown leadership in this area by transferring responsibility and some funding for the Clyde Mission to Glasgow City Region, and **[redacted – S29(1)(a)]**. Rapid transfer of these funds to the regions would free up staffing in SG and act as an incentive to development of the REPs, potentially also **[redacted – S29(1)(a)].**

Whilst this would free up SG staff resource, demonstrate commitment to change and support the regional empowerment agenda, it is unlikely to be significantly cash releasing in the short term.

Christie "4 Ps" Alignment: Partnership; Performance

Recommendation 4 – Increase Scale and Pace of Services Digitisation

4.1 Establish a joint programme of digital reform

There is an acceptance across economic development partners that digital tools will play a key role in both transforming customer experience of business support and economic development services as well as creating efficiencies and releasing savings. We need to continue to invest in this for the long term right across the system, learning from other large scale transformation projects, such as the digitisation of banking services.

We are not starting from zero. Building on the digital spine already created by the BSP, partners should work collectively to establish new use cases for the data and develop a timetable for development and implementation.

In addition to this there is a need for improved management information across the system to support better tracking and evaluation of spend on economic development activities. Within SG alone a range of information gaps exist, such as gaps in grants data, operational cost data, and procurement information. Improved collection and sharing of management information and datasets across local

governments, EAs, and other entities would be a valuable step to prevent duplication and ensure efficient resource deployment.

Christie "4 Ps" Alignment: Partnership; Prevention

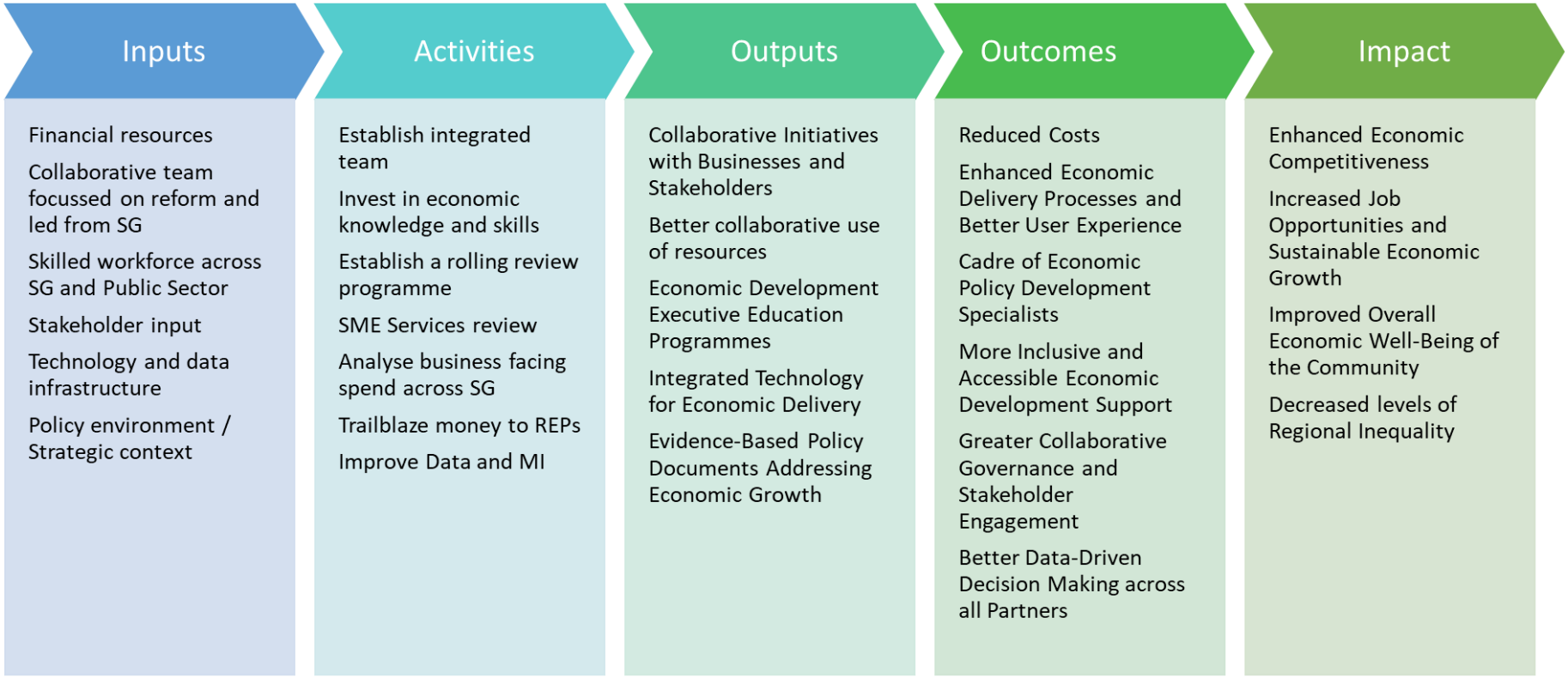
4.2 DGE Digital Transformation

The recent leaps in the accessibility and capabilities of Artificial Intelligence have increased the range of areas across the DG that could be improved by use of digital approaches. Grant management, claim checking, business case analysis, programme management, briefing, correspondence and research are all potential areas that could be transformed with the use of digital AI tools.

There is a broad programme of digital transformation already rolling out across SG but DGE could, and should, take the lead on exploring the potential for digitising at least one of these activities.

Christie "4 Ps" Alignment: Performance

Draft Logic Model for Economic Development Reform Programme



5 Draft Programme Implementation Plan

DOC 1

		Calendar Year 2024				Calendar Year 2025			
Recommendation	**Action**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Invest in Culture Change - Embed PSR as a Key DGE Function	Establish an SG led Cross Partner PSR Lead Team	Recruit SG roles; invite externals to join							
	Strengthen Governance and Reporting		Establish and agree mechanisms for reporting via NSET		First NSET Board Report				
	Establish an "Economic Executive Leadership Interchange Programme" for Leaders Across the System			Work with HR and partners to set up programme		Start roll out			
Create a Framework for Structural and Organisational Development	Establish a Rolling Economic Development Public Bodies Review Programme			Set up and agree plans		Agree with Ministers			
	Establish Integrated Working Pilots for Enterprise Agencies (SE) and REPs	Set up and agree pilots from SE POV		Start rollout			Report on progress		
	Review Delivery of SME Support Services								
Increase Pace of Financial Transformation	Rapid Review of all business facing funds across SG			Scope and undertake review		Report and agree next steps with Ministers			
	DGE as a Trail Blazer								
Increase Scale and Pace of Services Digitisation	Establish a joint programme of digital reform			Identify DGE funds to be moved to REPS					
	DGE Digital Transformation	Identify pilot options including MI work		Roll out pilots across DGE			Review and Report on outcomes		

Annex A

Timeline of PSR Publications, Legislation and Commentary

Name	Date	Publisher	Summary
The 2022/23 audit of Scottish Government Consolidated Accounts	November 2023	Audit Scotland	Recognises that public service reform will take time and that SG will need to balance short-term efficiencies with longer-term 'spend to save' reform plans. Notes that SG must develop a clear roadmap of how the design and delivery of public services will be transformed to be financially sustainable
Programme for Government	September 2023	SG	Focus on service delivery and leadership skills, continuing to work closely with public bodies on the public service reform programme – helping to ensure their work remains affordable in 2024-25 and sustainable in future years, while improving outcomes, reducing inequalities, and preventing harm
Great government: A new playbook for public service reform	June 2023	Institute for Public Policy Research (IPPR)	Suggests we need to establish what works in public service reform and how this can be built into a new public service reform agenda for the 2020s. Provides a "drivers model": • Setting bold missions • Making smart investment • Freeing up the Frontline • Cultivating the talent of the team. • Building a learning ecosystem • Unleashing technology and data • Empowering citizens and • A new partnership with business
Inquiry into the Scottish Government's Public Service Reform programme: summary of written evidence	June 2023	Finance and Public Administration Committee	Summarises comments from 32 respondents on the five priority areas of reform recognised in the Resource Spending Review
Medium Term Financial Strategy (MTFS)	May 2023	SG	Sets out PSR as a part of the strategic approach to managing public finances, linked in particular to pillar 1 of its three underpinning pillars: focusing spending decisions on achieving our three critical missions. Pillar 2: supporting sustainable inclusive economic growth and the generation of tax revenues - also has particular

			importance to the reform of the economic development landscape.
FM Policy Prospectus	April 2023	SG	Commits that, by 2026, to have progressed a ten-year programme of public bodies and public service reform: effective and person-centred, fiscally sustainable public services. Strengthened the resilience of our public services and our communities by increasing the number of people who have good, increasingly productive jobs which meet the principles of Fair Work, and who make a positive contribution to our society and our economy. Targeted both short term efficiencies and wider, deeper, and longer term reform, including through rolling out modern digital services that are easy to access, reliable and effective. This will remove the need for manual processing, reduce failure demand and meet people's expectations of how they want to interact with government, securely and in a manner which protects their privacy. Published a Rural Delivery Plan, showing how all parts of the Scottish Government are delivering for rural Scotland. As well as policies on agriculture, land reform, marine, and our Islands Plan, this will cover areas such as transport, housing, social justice, repopulation, digital connectivity and economic development
Fiscal Sustainability Report	March 23	Scottish Fiscal Commission	First report on the long-term fiscal sustainability of the Scottish Government's budget which projects spending and funding up to 2072-73.
Inquiry 'Public Administration - Effective Scottish Government decision-making' Report: What is effective government?	February 2023	Finance and Public Administration Committee (Prof Paul Cairney)	Shows how governments seek 'effective government' and identifies how to learn from their experiences. It shows that we can only determine if government is working if we can identify its intended purpose
Resource Spending Review (RSR	May 2022	SG	Sets out five areas for reform: • digitalisation, • reform of the public sector estate, • maximising revenue through public sector innovation, • improving public procurement, • reform of the public body landscape.

Public Value Framework Supplementary Guidance	March 2019	HMT	Revised version of Barber's Framework along with templates for use by official and public bodies.
What Works Scotland report (See also the website for a collection of literature on various aspects of PSR)	December 2018	Independent	Summarises the lessons and findings from a four-year research programme that aimed to improve the outcomes of public service reform in Scotland, and focused on eight themes: • Participation • Partnership • Governance • Workforce • Leadership • Prevention • Place • Evidence
Barber Review: Delivering better outcomes for citizens: practical steps for unlocking public value	November 2017	UKG	Sets out the goal of public value: "optimising the process of turning funding into policy outcomes for citizens", a framework for assessing progress based on four pillars: • Pursuing Goals • Managing Inputs • Engaging users and citizens • Developing systems capacity
Public Service Reform Dave Watson ex Head of Policy and Public Affairs at UNISON Scotland	January 2017	Reid Foundation	Recommend we build public services from the bottom up based on the principle of subsidiarity, with integration, democracy and transparency at the core of delivery. The role of central government should be to set the strategic direction and agree frameworks that allow the local to focus on what matters. Also provides 9 underpinning principles that all reform proposals should be tested against: • democratic accountability, • subsidiarity, • transparency, • equality, • effectiveness, • fair work, • integration, • outcomes • a public sector ethos.
Community Empowerment Act	July 2015	Scottish Parliament	The Act aims to change the balance of power between communities and the public sector, and to encourage and support more partnership working, dialogue, and innovation. It covers 11 topics: • National Outcomes • Community Planning

			• Participation Requests • Community Rights to Buy Land: • Asset Transfer Requests • Delegation of Forestry Commissioners' Functions • Football Clubs • Common Good Property • Allotments • Participation in Public Decision-Making (not yet enacted) • Non-Domestic Rates
The three-step improvement framework for Scotland's public services	April 2013	SG	Sets out the key steps and questions we need to ask to drive transformational change: • Change the world (vison aim context) • Create the conditions (culture capacity challenge) • Make the improvement (implementation, measurement, improvement)
Renewing Scotland's Public Services: Priorities for Reform in Response to the Christie Commission	September 2011	SG	Outlines the Scottish Government's vision and priorities for public service reform in Scotland, and restates the four pillars of reform: • a decisive shift towards prevention, • greater integration of public services at a local level, • more investment in people who deliver services, • a sharp focus on improving performance
White Paper on Open Public Services	July 2011	UKG	Sets out principles and a framework for open public service in the UK: • Choice • Decentralisation • Diversity • Fairness • Accountability
The Christie Commission - Report of the Commission on the Future Delivery of Public Services)	June 2011	Independent	Sets out the main challenges and opportunities for public service reform in Scotland, and made four key recommendations: • a shift towards prevention, • greater integration of public services, • more empowerment of individuals and communities, • improved performance and accountability
Best Value	March 2011	SG	Provides a common framework for continuous improvement in public services in Scotland, and is a key

			foundation of the Public Service Reform agenda. The 2011 publications sets out the duty of Best Value and the characteristics of a Best Value organisation. Applies 7 themes to the 9 characteristics: • Vision and Leadership; • Effective Partnerships; • Governance and Accountability; • Use of Resources; • Performance Management. • Equality; • Sustainability.
Public Services Reform (Scotland) Act 2010	April 2010	Scottish Parliament	Introduces a range of measures to support the reform and improvement of public services in Scotland
Public Service Improvement Framework	September 2006	Improvement Service	Aimed at Local Government, the PSIF provides a framework of statements to challenge existing performance through a structured process, which is developed to suit organisational needs and drivers.

ANNEX B

Public Administration Theories and their Role in Public Service Reform

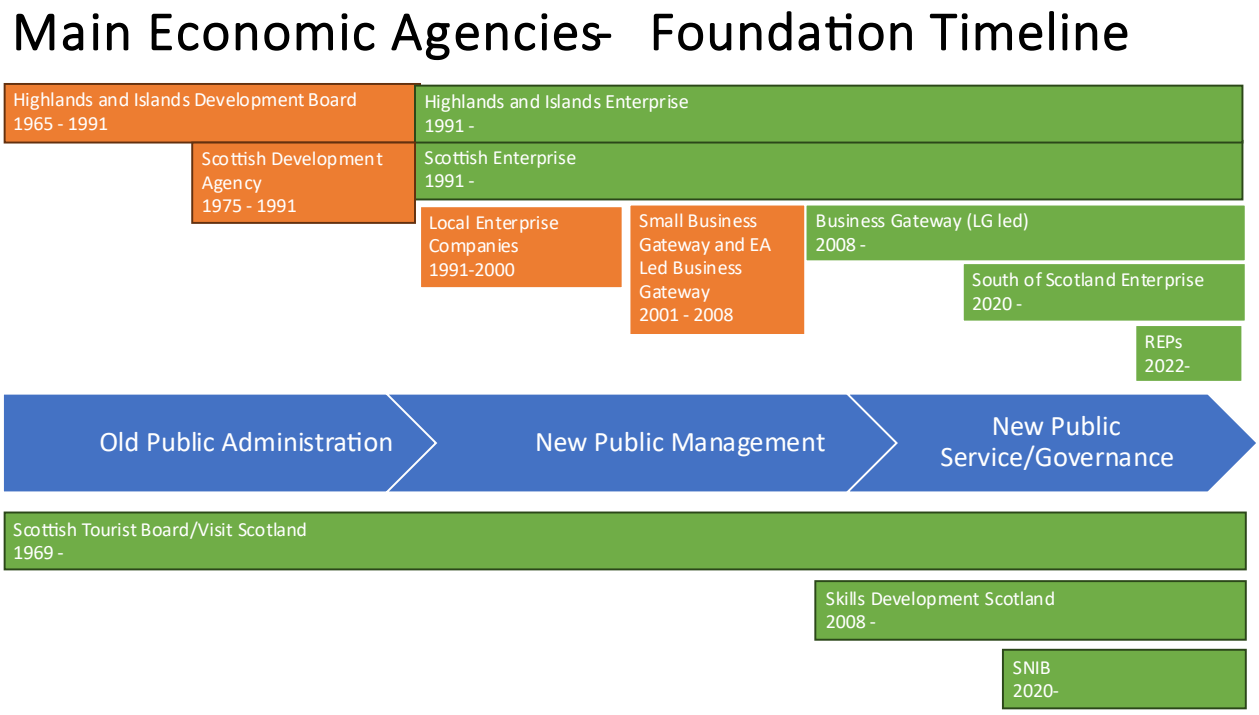
The academic literature on public administration recognises a number of key – and overlapping - models: Old Public Administration (OPA), New Public Management (NPM), New Public Service (NPS), and New Public Governance (NPG).

Briefly, OPA is hierarchical and based on meritocracy and clear rules. NPM is about making government work more like a business, focusing on efficiency and customer service. NPS emphasises the role of citizens and the importance of democratic values. NPG focuses on partnerships and cooperation between different parts of society. PVM focuses on public value-based approaches. Table 1 sets this out in more detail.

This is relevant to current Scottish PSR challenges as you can see how each model, tacitly or explicitly, influenced the choices that were made regarding the focus and aims of our economic development agencies when they were established in Scotland **[redacted - S30(b)(i)]]**

For example, as the Figure A below shows, our main enterprise bodies, Scottish Enterprise and Highlands and Islands Enterprise, were established at a time when the managerial and business-like focus of New Public Management was arguably at its height. **[redacted - S30(b)(i)]]**

Figure A



DOC 1

Influence and Utility in PSR in Scotland

Scotland is currently facing a range of immediate and long-term public service reform challenges to address in tandem that are complex and wicked in nature and cannot be tackled by individual agencies or policy teams. This would suggest that the collaborative, networked approach best articulated in NPG/S should be our guiding star. This is broadly correct however none of these models can operate either in isolation or be used as a silver bullet to fix every issue that we are facing.

Each of these models reflects the dominant idea on public administrative at the time. Equally these models overlap, lean on and learn from previous thinking, therefore their utility will be best leveraged if we see them as complementary framework, and use key elements that are best aligned both to the outcomes we are seeking to achieve and the timeframe we are seeking to achieve them over. We need to sift, consider and apply key ideas in a thoughtful and structured manner to the range of complex problems that we are currently seeking to address in the Scottish economic development and delivery landscape.

For example, we may wish to look to New Public Management as the most effective way to drive short to medium term efficiencies and cost reductions. However the longer term preventative and collaborative approaches as set out in later models such as New Public Service or Governance may have a greater and more permanent impact. The models are summarised at Table 1 below:

DOC 1

Table 1 Comparison of Public Administration Models

	Old Public Administration	New Public Management (NPM)	New Public Service (NPS)	New Public Governance (NPG)
Dates	1870s - 1980s	1980s - early 2000s.	Emerged as a response to perceived shortcomings of NPM. Still in use today.	Early 2000s. Still in use today.
Aims	To establish formal authority, laws and rules, separation of competences based on specialized expertise, hierarchy for coordination, written records for continuity, separation between the organisation and the persons holding positions in it, and concern for organisational technologies	Aims to make the public sector more "businesslike" and improve its efficiency by using private sector management models.	Focuses on serving citizens, not customers, and values citizenship over entrepreneurship.	Focuses on decentralisation to local governments and civil societies to form a strong social partnership.
Features	Formal authority, established laws and rules, separation of competences based on specialised expertise, hierarchy as a method for dealing with coordination, written records to establish continuity, separation between the organisation and the persons holding positions in it, concern for organisational technologies	Emphasises a competitive, mission-driven, result-oriented, customer-driven, privatised, decentralised, and market-oriented government.	7 principles: Serve citizens, not customers; Seek the public interest.; Value citizenship and public service above entrepreneurship; Think strategically, act democratically; Recognise that accountability isn't simple; Serve, rather than steer; Value people, not just productivity.	Focuses on decentralisation to local governments and civil societies to form a strong social partnership Prioritises networking, diversity of mutual cooperation, trust, social exchange, sacrifice, and social responsibility.
Pros And Cons	Provides a stable and functional civil service, ensures professionalism and impartiality of public servants, and follows clear and consistent rules and procedures. However, it may be rigid and inflexible to changing	Improves the efficiency and effectiveness of public services, introduces performance measurement and accountability mechanisms, and emphasizes customer orientation and service quality. However, it may also	Enhances the integrity and legitimacy of public institutions, encourages public participation and deliberation, and focuses on public interest and public value. However, it may also be ambiguous and complex to	Addresses complex wicked problems that require collective action, fosters collaboration and innovation among multiple actors, and recognizes the diversity and interdependence of public issues and actors.

	circumstances, create red tape and bureaucracy that hinder innovation and responsiveness.	fragment and privatise the public sector, erode public values and ethics, and lose democratic control and oversight of public services.	define and measure public interest and value, face conflict and trade-offs among diverse and competing interests, and require high levels of civic engagement and trust.	However, it may pose challenges of coordination and integration across networks and systems, raise issues of accountability and transparency of actors and outcomes, and depend on the power and capacity of network participants.

DOC 1

Annex C

Initial Equalities Assessment

An initial assessment of the key equalities issues arising from this work is set out below:

1 Digital Inclusion - Potential technological barriers to accessing business support for varying abilities.
Mitigation: Prioritise user-friendly co production, offer training and support, and explore alternative communication methods for inclusivity.

2 Engaging Diverse Stakeholders - Ensuring equal participation and benefits for diverse external stakeholders.
Mitigation: Priorities community partnerships, conduct outreach programmes, and disseminate information in ways that are accessible for diverse audiences.

3 Community Impact - Potential disproportionate impacts on specific communities.
Mitigation: Engage with communities to understand unique needs, and tailor interventions accordingly.

4 Work-Life Balance in Restructuring- Balancing organisational changes with staff well-being.
Prioritise clear communications, well-being initiatives, and person-centred policies.

DOC 3

Public Bodies Landscape

Sponsor Team(s):	Economic Development
Portfolio(s):	Economy and Gaelic
Public Bodies:	Scottish Enterprise (SE), South of Scotland Enterprise (SOSE), Highland and Islands Enterprise (HIE), Visit Scotland (VS) and the Scottish National Investment Bank ('the Bank')
Date:	8/6/25

Context

Improving public services continues to be a key government priority, with work being led by the Minister for Public Finance. The commitments to deliver efficiencies and improvements to ensure public services remain fiscally sustainable is reflected in the Public Service Reform (PSR) programme, and in the soon to be published PSR Strategy.

Why are we asking for this information?

The Public Bodies Support Unit (PBSU) is already working with some portfolios on a Clusters approach; this approach brings together groups of public bodies to focus on opportunities for reform that can't be met by a single organisation or sector, including common areas of purpose and potential duplication of functions. We will align this landscape work with existing Clusters, and build on that approach to help drive conversations with public bodies to review and simplify the landscape.

Please note, the information in your return will not be considered as a final landscape review, it will enable the PBSU to provide the Minister for Public Finance with possible opportunities to simplify the public bodies landscape that could be explored further as part of a wider piece of work on public bodies reform and efficiencies.

If you have any queries about this template, please contact PublicBodiesUnit@gov.scot

Please complete the template at Annex A , and return to PublicBodiesUnit@gov.scot by **Friday 9 May 2025.**

DOC 3

Annex A

Public Bodies Landscape

The Minister for Public Finance is keen to see efficiencies realised, for example through further sharing of back office functions, however, he also wants to see ideas for new business delivery models, for service improvements and, potentially, for restructuring of the public body landscape where it is appropriate.

We appreciate you might not have full knowledge of your bodies overall functions, however the following questions will allow us to better understand potential opportunities to improve efficiency and at this stage gain a clearer picture of the landscape.

1. Please provide a brief outline of the roles and functions your body performs.

Scottish Enterprise (SE)
• **Purpose**: Drive sustainable and inclusive economic growth across central and eastern Scotland.
• **Functions**:
  ○ Support business innovation, investment, and internationalisation.
  ○ Attract foreign direct investment (FDI).
  ○ Provide grants, advice, and support for scaling businesses.
  ○ Partner with universities and industry to commercialise research.
  ○ Support low-carbon transition and green economy.
 	
Highlands and Islands Enterprise (HIE) & South of Scotland Enterprise (SOSE)
• **Purpose**: Both agencies promote economic and community development in their respective regions. Their functions are similar to SE but more locally focussed and without national responsibilities e.g. national stimulation of the early stage risk capital market.
• **Functions**:
  ○ Foster community-led development and social enterprises.
  ○ Support fragile and remote rural economies.
  ○ Help develop skills and workforce resilience
  ○ Provide tailored business and community support.
  ○ Help attract investment and develop local infrastructure.
  ○ Support regional digital connectivity and transport projects.
  ○ Support the growth of the regional green economy.
 	
VisitScotland
• **Purpose:** Promote Scotland as a world-class tourist destination to grow the visitor economy sustainably and inclusively.
• **Functions:**
  ○ **Marketing and Promotion:** Lead national and international campaigns to attract leisure and business visitors to Scotland.
  ○ **Support the Tourism Industry:** Provide advice, research, and funding to help tourism businesses grow and innovate.
  ○ **Events and Business Tourism:** Support major events and conferences through EventScotland and the Business Events team.
  ○ **Digital Infrastructure:** Operate the official tourism website (visitscotland.com) and provide digital tools and content for businesses.
  ○ **Sustainable Tourism:** Promote responsible travel aligned with Scotland's Net Zero ambitions and environmental goals.
  ○ **Visitor Information:** Offer online and in-person guidance to travellers through information centres and digital platforms.

DOC 3

Scottish National Investment Bank (SNIB)

- **Purpose**: Provide patient, mission-led investment to support Scotland's transition to a fairer, more sustainable, and innovative economy.
- **Functions**:
  - Invest commercially in businesses and projects aligned with its three statutory missions:
    - **Net Zero**: Support Scotland's transition to net zero carbon emissions.
    - **Place**: Build resilient places and communities.
    - **Innovation**: Harness innovation to improve productivity and economic competitiveness.
  - Provide long-term, patient capital not readily available in the private market.
  - Help crowd in private sector investment.
  - Operate independently, with commercial rigour and public purpose.

2. In the context of Public Service Reform, please describe below any scope for greater integration of the functions, services, roles, and structures involving the public bodies in your policy area, and relevant other public bodies?

The 2017 Enterprise and Skills Review considered the question of rationalising the economic development landscape by merging and/or dissolving bodies. However, the Review not only strongly opposed centralisation, it recommended the creation of two new public bodies in the form of SOSE and the Bank.

The Review offered a rationale focussed on the importance of the variance in regional economic development priorities between the highland, central belt and the south. It argued that each region has a different population distribution and that agencies could not be centralised without the loss of local expertise and regional focus.

It should be noted that the review process encountered very strong stakeholder concern that organisations would be merged, particularly in the Highlands, and this was reflected in Committee scrutiny of the process.

Balanced against this, the Review is now around eight years old and was conducted in a very different fiscal context. **[redacted - S30(b)(i)]]**

3. Please describe what would be required to enable opportunities to be realised, and the positive impacts of bringing these public bodies into alignment, including areas that could be aligned (e.g. shared corporate functions including HR, IT).

[redacted – S29(1)(a)]

4. Please describe any barriers, and the negative impacts of bringing these public bodies into alignment, including the areas that could be aligned (e.g. shared corporate functions including HR, IT).

As above.

5. Please describe any additional information that may be relevant, including sensitivities that may arise; this might include impacts or undermine existing activity in this space.

DOC 3

In addition to the points made, centralisation may realise the risk highlighted by the Review i.e. a loss of regional expertise and focus.

DOC 4

Rùnaire a' Chaibineit airson Ionmhas agus na h-Eaconamaidh
Cabinet Secretary for Finance and Economy
Ceit Fhoirbheis BPA
Kate Forbes MSP

T: 0300 244 4000
E: scottish.ministers@gov.scot

Professor Russel Griggs
Chair, South of Scotland Enterprise By
email: Chair@sose.scot

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30 May 2022

Dear Russel

SOUTH OF SCOTLAND ENTERPRISE - 2022-23 STRATEGIC DIRECTION

I am writing to set out my expectations of South of Scottish Enterprise (SOSE) for 2022-23. In doing so, I wish to express my gratitude for the way in which SOSE responded during 2021-22 to the ongoing challenges presented by the pandemic.

As you know, we published our National Strategy for Economic Transformation (NSET) on 1 March 2022, setting out our vision for strengthening the Scottish economy and ensuring that the benefits of success are shared by all. I would expect that both your action plan and annual operating plan will focus effort and resources on delivering the actions and benefits of that strategy. In particular, I expect you to work with partners to:

1. Be entrepreneurial, support entrepreneurs and the development of an entrepreneurial mindset across the country in order to:

- increase the total number of successful new businesses created in Scotland, with a particular focus on supporting more women and other under-represented groups into entrepreneurship;
- increase the percentage of Scottish start-ups and existing mid-sized businesses that grow to scale;
- support alternative business models such as cooperatives, social enterprises and community-owned businesses;
- attract international entrepreneurs to Scotland; and
- build strategic partnerships with key entrepreneurial ecosystems in other countries.

DOC 4

2. Strengthen Scotland's position in new markets and industries and help build successful businesses in areas where our human and natural capital and technology and research capabilities provide the basis of global competitive advantage. This will require focused action by you to:

- support innovation and business R&D in key industries and sectors with the greatest economic opportunity;
- shape and deliver the benefits of the forthcoming Innovation Strategy;
- promote strategic clusters to attract inward investment and strengthen local supply chains; and
- drive work to increase Scotland's exports.

3. Address the longstanding productivity gap in Scotland by supporting businesses to transform their business models through the application of data and digital technology, and focussing support on improving the productivity of businesses operating in internationally tradeable sectors.

A key part of this is ensuring that every region in Scotland benefits from, and contributes to, a more productive and innovative economy and that the economic opportunities for communities are maximised. This will require action to:

- tailor interventions to evidenced regional strengths and opportunities and continue to strengthen collaboration through the Regional Economic Partnership; and
- maximise economic opportunities for communities by ensuring that investment creates new employment opportunities, helps local businesses to expand and places more assets in the hands of local people and communities.

4. Enable Scottish businesses to plan for, and realise the opportunities associated with a just transition to a net zero and the development of a climate resilient Scotland. This will require action to:

- support the growth of net zero investment and supply chains, prioritising the areas of greatest opportunity;
- help businesses baseline their climate risk and adapt their business models, in order to improve their climate resilience, protect critical domestic supply chains and future-proof productivity;
- contribute to the development of just transition plans for individual sectors and regions ; and
- work with Scottish Government and other partners to develop proposals on how future funding for businesses can be linked to advancing the transition to net zero, in accordance with the Bute House Agreement.

5. Support Scotland's economy to promote wellbeing and fair work. I am aware of the progress that SOSE continues to make in adopting Fair Work First, both as an employer and in relation to your grants, procurements and other funding. The Bute House Agreement commits to strengthening our approach to conditionality and I therefore ask that you continue to show leadership in this space and require more companies to commit to fair work practices across their organisation when they work with you as grant recipients, project partners or contractors.

Governance

Where appropriate, I expect SOSE to play an active role in the governance of each of the programmes described in NSET and be accountable to the new NSET delivery board for the delivery of specific actions included within these programmes.

Reform

NSET commits the Scottish Government to establish a programme to radically trans form the way in which economic development activity is delivered across Scotland. I am encouraged by the support you provide to the Business Support Partnership and would expect you to build on that success and provide the staff and other resources required to shape and deliver a more comprehensive approach to reform that:

- is based on a thorough understanding of the needs of your customers;
- extends across and enables greater collaboration amongst all organisations that support economic development in Scotland;
- embeds digital technology at the very centre of your operating model through greater data sharing and the use of common operating platforms;
- reduces operating costs, particularly in areas that do not deliver front line benefits to service users;
- increases the accessibility of online information and services to Scottish businesses;
- provides robust mechanisms for measuring, reporting and making subsequent improvements to customers' experience.

In summary, I expect SOSE and its partners to develop a new target operating model that fully embraces the opportunities provided by digital technology to provide services that meet clear user needs in a cost efficient and measurable way.

Spending Review

I expect SOSE to maintain a strong commitment to identifying and achieving efficiencies by maximising the impact of your interventions and ensuring that they deliver best value for public spending, as set out in the Scottish Public Finance Manual. In doing so, I expect SOSE to ensure that your operating plan for 22-23 is deliverable within the budget allocated to SOSE.

I am also looking for your full participation in the preparation of the Scottish Government's Resource Spending Review. The reform programme described above will enable SOSE to refocus its activities in line with the anticipated resource allocation during the spending review period and I would therefore expect early action during 22-23 to enable SOSE to prepare for the challenges and opportunities this will bring.

Sponsorship

The Scottish Government relationships with public bodies: progress review contains fourteen recommendations for improving how the Scottish Government manages its relationships with public bodies. The recommendations look to strengthen existing policies, address concerns, and allow for consistently effective sponsorship. I expect SOSE to work co-operatively with the Sponsor Team to consider the recommendations.

Conclusion

I hope this letter is helpful in setting out my expectations of SOSE. I look forward to seeing SOSE's action plan and annual operating plan in due course and to further discussion on NSET delivery at our quarterly strategic engagement meetings.

Yours sincerely,

KATE FORBES

DOC 5

Rùnaire a' Chaibineit airson Ionmhas agus na h-Eaconamaidh
Cabinet Secretary for Finance and Economy
Ceit Fhoirbheis BPA
Kate Forbes MSP

T: 0300 244 4000
E: scottish.ministers@gov.scot

Lord Smith of Kelvin Chair,
Scottish Enterprise
By email: robert.smith@scotent.co.uk

___

30 May 2022

Dear Lord Smith

SCOTTISH ENTERPRISE - 2022-23 STRATEGIC DIRECTION

I am writing to set out my expectations of Scottish Enterprise (SE) for 2022-23. In doing so, I wish to express my gratitude for the way in which SE responded during 2021-22 to the ongoing challenges presented by the pandemic.

As you know, we published our National Strategy for Economic Transformation (NSET) on 1 March 2022, setting out our vision for strengthening the Scottish economy and ensuring that the benefits of success are shared by all. I would expect that both your strategy and operational business plan will focus effort and resources on delivering the actions and benefits of that strategy. In particular, I expect you to work with partners to:

1. Be entrepreneurial, support entrepreneurs and the development of an entrepreneurial mindset across the country in order to:

- increase the total number of successful new businesses created in Scotland, with a particular focus on supporting more women and other under-represented groups into entrepreneurship;
- increase the percentage of Scottish start-ups and existing mid-sized businesses that grow to scale;
- support alternative business models such as cooperatives, social enterprises and community-owned businesses;
- attract international entrepreneurs to Scotland; and
- build strategic partnerships with key entrepreneurial ecosystems in other countries.

2. Strengthen Scotland's position in new markets and industries and help build successful businesses in areas where our human and natural capital and technology and research capabilities provide the basis of global competitive advantage. This will require focused action by you to:

- support innovation and business R&D in key industries and sectors with the greatest economic opportunity;
- shape and deliver the benefits of the forthcoming Innovation Strategy;
- promote strategic clusters to attract inward investment and strengthen local supply chains; and
- drive work to increase Scotland's exports.

3. Address the longstanding productivity gap in Scotland by supporting businesses to transform their business models through the application of data and digital technology, and focussing support on improving the productivity of businesses operating in internationally tradeable sectors.

4. Enable Scottish businesses to plan for, and realise the opportunities associated with a just transition to a net zero and the development of a climate resilient Scotland. This will require action to:

- support the growth of net zero investment and supply chains, prioritising the areas of greatest opportunity;
- help businesses baseline their climate risk and adapt their business models, in order to improve their climate resilience, protect critical domestic supply chains and future-proof productivity;
- contribute to the development of just transition plans for individual sectors and regions; and
- work with Scottish Government and other partners to develop proposals on how future funding for businesses can be linked to advancing the transition to net zero, in accordance with the Bute House Agreement.

5. Support Scotland's economy to promote wellbeing and fair work. I am aware of the progress that SE has made in this regard both as an employer and in the way in which you have applied Fair Work First criteria to your grants, procurements and other funding. The Bute House Agreement commits to strengthening our approach to conditionality and I therefore ask that you continue to show leadership in this space and require more companies to commit to fair work practices across their organisation when they work with you as grant recipients, project partners or contractors.

Governance

Where appropriate, I expect SE to play an active role in the governance of each of the programmes described in NSET and be accountable to the new NSET delivery board for the delivery of specific actions included within these programmes.

Reform

NSET commits the Scottish Government to establish a programme to radically transform the way in which economic development activity is delivered across Scotland. I am encouraged by the support you provide to the Business Support Partnership and would expect you to build on that success and provide the staff and other resources required to shape and deliver a more comprehensive approach to reform that:

- is based on a thorough understanding of the needs of your customers;
- extends across and enables greater collaboration amongst all organisations that support economic development in Scotland;
- embeds digital technology at the very centre of your operating model through greater data sharing and the use of common operating platforms;
- reduces operating costs, particularly in areas that do not deliver front line benefits to service users;
- increases the accessibility of online information and services to Scottish businesses;
- provides robust mechanisms for measuring, reporting and making subsequent improvements to customers' experience.

In summary, I expect SE and its partners to develop a new target operating model that fully embraces the opportunities provided by digital technology to provide services that meet clear user needs in a cost efficient and measurable way.

Spending Review

I expect SE to maintain a strong commitment to identifying and achieving efficiencies by maximising the impact of your interventions and ensuring that they deliver best value for public spending, as set out in the Scottish Public Finance Manual. In doing so, I expect SE to ensure that your business plan for 22-23 is deliverable within the budget allocated to SE.

I am also looking for your full participation in the preparation of the Scottish Government's Resource Spending Review. The reform programme described above will enable SE to refocus its activities in line with the anticipated resource allocation during the spending review period and I would therefore expect early action during 22-23 to enable SE to prepare for the challenges and opportunities this will bring.

Sponsorship

The Scottish Government relationships with public bodies: progress review contains fourteen recommendations for improving how the Scottish Government manages its relationships with public bodies. The recommendations look to strengthen existing policies, address concerns, and allow for consistently effective sponsorship. I expect SE to work co-operatively with the Sponsor Team to consider the recommendations.

Conclusion

I hope this letter is helpful in setting out my expectations of SE. I look forward to seeing SE's strategy and annual business plan in due course and to further discussion on NSET delivery at our quarterly strategic engagement meetings.

Yours sincerely,

KATE FORBES

DOC 6

Cabinet Secretary for Wellbeing Economy, Fair Work and Energy
Rùnaire a' Chaibineit airson Eaconamaidh do Mhath Dhaoine, Obair Chothromach is Cumhachd
Neil Gray MSP Niall Gray BPA

T: 0300 244 4000

Russel Griggs
Chair, South of Scotland Enterprise
Email: Chair@sose.scot

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16 October 2023

Dear Russel,

SOUTH OF SCOTLAND ENTERPRISE - 2023-24 STRATEGIC GUIDANCE

In our strategic direction to South of Scotland Enterprise (SOSE) for 2022-23, we emphasised the role of the agency in delivering the National Strategy for Economic Transformation (NSET). I am grateful for the way in which you responded by realigning your activity to help drive the implementation of the strategy.

In April this year, we published our policy prospectus: 'New Leadership - A Fresh Start' which reaffirmed our commitment to delivering a wellbeing economy by focusing on the priorities set out in NSET. This set out 3 critical and interdependent missions:

- tackling poverty and protecting people from harm - continuing to tackle poverty in all its forms to improve the life chances of people across Scotland;
- a fair, green and growing economy - delivering a wellbeing economy through harnessing the skills and ingenuity of our people and seizing the economic and social opportunities from meeting our net zero targets; and
- prioritising our public services - creating, investing in, and maintaining sustainable public services, to ensure the people of Scotland can access modern, effective, and timely services when they need to.

This year's Programme for Government, which builds on the policy prospectus, set out how we will put the three missions into action, including through the development of a Green Industrial Strategy.

SOSE has a vital role to play in helping us to deliver the missions because it is by creating jobs and increasing our tax take that we are able to tackle poverty and make the investment required to improve our public services.

Over the coming years, the public sector must work together to provide the targeted economic stimulus and support for businesses needed to deliver our economic ambitions. This will require a programme of reform to improve the way that we support businesses, increase investment and realise economic opportunities in every region of the country. We must also look internationally, to attract the international investment needed to support our economic ambitions and grow our export potential. I look to SOSE to work with Scottish Government, Local Government and other partners to help shape how we deliver our collective approach to economic development.

Engagement with business on this programme of reform will be critical, and I expect SOSE to play a decisive role in delivering the recommendations made by the New Deal for Business Group. Likewise, the First Minister's Investor Panel will shortly publish recommendations about how the public sector in Scotland can take steps to improve Scotland's performance in attracting mobile capital investment. I expect SOSE to play a role in implementing the response to these recommendations.

At an organisational level, I know that SOSE has already undertaken an organisational review and re-structuring to support delivery of activity under the six areas of strategic focus in your new, five-year Action Plan:

- accelerating net zero and nature-based solutions;
- advocating for Fair Work and equality;
- activating and empowering enterprising communities;
- attracting ambitious investment;
- awakening entrepreneurial talent; and
- advancing innovation and productivity.

Within this context, I ask that SOSE focuses on delivery of the following outcomes:

1. work with public sector partners and private sector investors to sustain and accelerate the growth of businesses in the South of Scotland, and help establish Scotland as a global hub for start-up founders and investors;

2. support the creation and growth of key business clusters, as outlined in the Scottish Government's Innovation Strategy, in areas of importance to the regional economy including natural capital, energy transition, supply chain innovation, regenerative agriculture, and creative and cultural capital;

3. play an active part in the design of a new National Productivity Programme to support more SMEs to innovate to increase their productivity;

4. work with and contribute to the work of the Scottish Government's Investment Strategy and Delivery Unit to help drive forward the recommendations from the First Minister's Investor Panel;

5. noting the launch of SOSE's Net Zero Investment Guide, work with regional economic partners on delivering the vision for the South of a Scotland to be a natural capital innovation zone;

6. work with public sector partners to deliver a focused role in the regional delivery of the priorities set out in the draft and final Energy Strategy and Just Transition Plan, with

particular emphasis on maximising the economic, investment, supply chain, manufacturing and employment opportunities of the energy production and decarbonisation sectors;

7. working closely with Scottish Government, play a key role in the development and delivery of a Green Industrial Strategy setting out how the Scottish Government intends to help businesses and investors realise the enormous domestic and international economic opportunities of the global transition to net zero and of creating good, well-paid jobs. In this, you should draw on SOSE's knowledge of markets and businesses to develop, with the Scottish Government, a shared understanding of priorities and key policy interventions;

8. continue to encourage the businesses you support to baseline both their carbon emissions and climate risk/resilience, and work with them to embed a strong focus on sustainability within their strategy/operations;

9. working with Scottish Development International, support the approach and focus outlined in A Trading Nation and the Inward Investment Plan in order to drive sustained growth in international exports while diversifying into new markets and strengthening efforts to bring more higher-quality inward investment into Scotland;

10. contribute to the development and delivery of the Rural Delivery Plan, which will set out how all parts of the Scottish Government are delivering for Scotland's rural, coastal, and island communities;

11. continue to advance the work of the South of Scotland Regional Economic Partnership and Convention of the South of Scotland, and support work to drive up greater levels of regional empowerment and growth by delivering on the ambitions of the Regional Economic Policy Review;

12. engage with Borderlands Growth Deal projects to help ensure strategic fit and provide expertise where required, and lead on the Mountain Bike Innovation Centre;

13. in addition to supporting the development of inclusive business models, continue to engage in and promote local and regional Community Wealth Building initiatives, and explore how, as an 'anchor organisation', you can use your economic levers such as spend, employment and land and assets, to maximise benefits for the economy, local communities and the environment;

14. ensure that, in line with SG guidance, recipients of grants awarded by SOSE pay at least the real Living Wage and provide appropriate channels for effective workers' voice, and continue to provide feedback on implementation of the new grant conditionality requirements;

15. continue to work with partners to ensure rapid progress on the development of the Master Customer Record, and play a full and active part in the programme of work to develop a common digital offer for business. This work will be delivered through the Business Support Partnership, which will require a resource commitment from all partners.

I look forward to discussing these areas of work with you in our regular meetings and to hearing your feedback on progress at the close of the financial year.

Yours sincerely,

NEIL GRAY

DOC 7

Cabinet Secretary for Wellbeing Economy, Fair Work and Energy
Rùnaire a' Chaibineit airson Eaconamaidh do Mhath Dhaoine, Obair Chothromach is Cumhachd
Neil Gray MSP Niall Gray BPA

T: 0300 244 4000

Willie Mackie
Chair, Scottish Enterprise
Email: chair@scotent.co.uk

16 October 2023

Dear Willie,

SCOTTISH ENTERPRISE - 2023-24 STRATEGIC GUIDANCE

In our strategic direction to Scottish Enterprise for 2022-23, we emphasised the role of the agency in delivering the National Strategy for Economic Transformation (NSET). I am grateful for the way in which you responded by realigning your activity to help drive the implementation of the strategy.

In April this year, we published our policy prospectus: 'New Leadership - A Fresh Start' which reaffirmed our commitment to delivering a wellbeing economy by focusing on the priorities set out in NSET. This set out 3 critical and interdependent missions:

- tackling poverty and protecting people from harm - continuing to tackle poverty in all its forms to improve the life chances of people across Scotland;
- a fair, green and growing economy - delivering a wellbeing economy through harnessing the skills and ingenuity of our people and seizing the economic and social opportunities from meeting our net zero targets; and
- prioritising our public services - creating, investing in, and maintaining sustainable public services, to ensure the people of Scotland can access modern, effective, and timely services when they need to.

This year's Programme for Government, which builds on the policy prospectus, set out how we will put the three missions into action, including through the development of a Green Industrial Strategy.

Scottish Enterprise has a vital role to play in helping us to deliver the missions because it is by creating jobs and increasing our tax take that we are able to tackle poverty and make the investment required to improve our public services.

Over the coming years, the public sector must work together to provide the targeted economic stimulus and support for businesses needed to deliver our economic ambitions. This will require a programme of reform to improve the way that we support businesses, increase investment and realise economic opportunities in every region of the country. We must also look internationally, to attract the international investment needed to support our economic ambitions and grow our export potential. I look to Scottish Enterprise to work with Scottish Government, Local Government and other partners, to help shape how we deliver our collective approach to economic development.

Engagement with business on this programme of reform will be critical, and I expect Scottish Enterprise to play a decisive role in delivering the recommendations made by the New Deal for Business Group. Likewise, the First Minister's Investor Panel will shortly publish recommendations about how the public sector in Scotland can take steps to improve Scotland's performance in attracting mobile capital investment. I expect Scottish Enterprise to play a role in implementing the response to these recommendations.

At an organisational level, I know that Scottish Enterprise has already embarked on a significant programme of corporate transformation and that you are in the process of finalising your new corporate plan for publication later this year. I support the focus you are intending to bring on entrepreneurship and innovation. I also recognise the role that Scottish Enterprise will play in the emergence of an effective capital investment ecosystem in Scotland that can deliver a step-change in Scotland's productivity and support creation of an internationally competitive green energy industry, closely aligned with the Green Industrial Strategy. I look forward to confirmation of your plans and expect you to engage with partners to explore the implications for the way that they work, alongside Scottish Enterprise, to support economic development.

Within this context, I ask that Scottish Enterprise focuses on delivery of the following outcomes:

1. work with public sector partners and private sector investors to support the creation and scaling of high growth businesses, and establish Scotland as a global hub for start-up founders and investors;

2. act as a lead partner in the creation and growth of key business clusters outlined in SG's Innovation Strategy;

3. play an active part in the design of a new National Productivity Programme to support more SMEs to innovate to increase their productivity;

4. work with and contribute to the work of the Scottish Government's Investment Strategy and Delivery Unit to help drive forward the recommendations from the First Minister's Investor Panel;

5. work with public sector partners to deliver a focused role in the national and regional delivery of the priorities set out in the draft and final Energy Strategy and Just Transition Plan, with particular emphasis on maximising the economic, investment, supply chain,

manufacturing and employment opportunities of the energy production and decarbonisation sectors;

6. working closely with Scottish Government, play a key role in the development and delivery of a Green Industrial Strategy setting out how the Scottish Government intends to help businesses and investors realise the enormous domestic and international economic opportunities of the global transition to net zero and of creating good, well-paid jobs. In this, you should draw on SE and SDI's knowledge of markets and businesses to develop, with the Scottish Government, a shared understanding of priorities and key policy interventions;

7. continue to progress work with industry to accelerate decarbonisation and create energy transition opportunities at major industrial sites, and support the Grangemouth Future Industry Board and its workplan;

8. continue to encourage the businesses you support to baseline both their carbon emissions and climate risk/resilience, and work with them to embed a strong focus on sustainability within their strategy/operations;

9. support the approach and focus outlined in A Trading Nation and the Inward Investment Plan in order to drive sustained growth in international exports while diversifying into new markets, and strengthening efforts to bring more higher-quality inward investment into Scotland. In this, you should continue to focus trade support on our top exporters, support implementation of our Sector Export Plans and improve Scotland's attractiveness as a location for inward investment by attracting the investment required to achieve our ambitions in areas such as energy transition, offshore wind, hydrogen and space (working closely with Highlands and Islands Enterprise and South of Scotland Enterprise in their regions);

10. contribute to the Regional Economic Partnerships (REPs) within your region and support work to drive up greater levels of regional empowerment and growth by delivering on the ambitions of the Regional Economic Policy Review;

11. support the delivery of the Glasgow City Region and the North East Investment Zones by the REPs in those areas and delivery of the Forth Green Freeport;

12. in addition to supporting the development of inclusive business models, continue to engage in regional Community Wealth Building initiatives where SE can add value, and explore how, as an 'anchor organisation', you can use your economic levers such as spend, employment and land and assets, to maximise benefits for the economy, supply chains, communities and the environment;

13. ensure that, in line with SG guidance, recipients of grants awarded by Scottish Enterprise pay at least the real Living Wage and provide appropriate channels for effective workers' voice, and continue to provide feedback on implementation of the new grant conditionality requirements;

14. continue to work with partners to ensure rapid progress on the development of the Master Customer Record, and play a full and active part in the programme of work to develop a common digital offer for business. This work will be delivered through the Business Support Partnership, which will require a resource commitment from all partners.

DOC 7

I look forward to discussing these areas of work with you in our regular meetings and to hearing your feedback on progress at the close of the financial year.

Yours sincerely,

NEIL GRAY

DOC 8

Cabinet Secretary for Rural Economy and Tourism
Fergus Ewing MSP

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Prof. Russel Griggs
Chair
South of Scotland Enterprise

17 December 2020

Dear Russel

South of Scotland Enterprise – GUIDANCE 2020-21

Introduction

1. Following our interim Strategic Letter of Guidance to the Enterprise and Skills Agencies in April 2020, I am writing to set out further guidance on my expectations and priorities for South of Scotland Enterprise (SOSE) for the remainder of 2020-21.

2. I anticipate that the 2021-22 Strategic Letter of Guidance will issue in April 2021 and will focus on the priorities for each of the agencies for the next financial year.

Strategic context

COVID-19 recovery

3. This year has brought with it challenges that none of us could have foreseen. The COVID-19 pandemic has impacted our economy, delivery of skills support and educational establishments in a way that is truly unprecedented. I would like to take this opportunity to thank you and all your staff for the creative and innovative ways in which SOSE pivoted its focus at such short notice to support Scotland's businesses, communities, learners and the wider economy.

4. I particularly welcome the flexibility SOSE has demonstrated in responding to uncertain and fast moving circumstances and recognise that this has impacted on your ability to deliver other priorities. SOSE's role in delivering the bespoke funds created in response to the pandemic has been key to ensuring that a significant number of businesses across Scotland can continue to operate and adapt to the changing environment. The efforts of your staff in supporting this delivery have been invaluable. It is critical that SOSE continues to be adaptable, flexing where necessary over the remainder of this financial year, and that you respond to emerging need with a clear sense of urgency.

5. The Scottish Government's priority is dealing with the economic, health and social crisis brought about by COVID-19. However, it is vital that we also consider how we can emerge

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from the crisis stronger and with a renewed focus on ensuring that Scotland's economy is as competitive, robust, fair and sustainable as it can be. The pandemic is shaping our economy, both in the immediate and longer term. Businesses, workforces and working practices are changing. I ask that you consider what can be done differently to support our growth sectors and help our businesses, third sector and social enterprises, and our communities to adapt successfully.

Programme for Government and the Economic Recovery Implementation Plan

6. Our Programme for Government 2020 (PfG) set out Ministers' strong belief that in recovering from COVID-19 it must not be business as usual, that we need to use this moment to make significant advances to deliver a recovery that is led by green growth and also promotes fairness and wellbeing. The PfG commits to:
    1. a national mission to create new jobs, good jobs and green jobs, with a particular focus on

young people;

    2. promoting lifelong health and wellbeing; and
    3. advancing equality and helping our young people grasp their potential.

7. The PfG also takes account of the findings of the Advisory Group on Economic Recovery and the Scottish Government's response, the Economic Recovery Implementation Plan. Delivering on the actions set out in the Implementation Plan will require a cohesive and coordinated approach and we have committed to working in partnership with SOSE and the other Enterprise and Skills Agencies, business, trade unions, third and voluntary sector bodies and local authorities to achieve this. Discussion with the Enterprise and Skills Agencies on prioritising activity in support of this work will continue to take place through the Enterprise and Skills Strategic Board.

8. I look to SOSE to ensure that its work over the remainder of this financial year aligns with the priorities set out in the PfG, the Economic Recovery Implementation Plan, and our wider economic strategy. I expect SOSE to continue to work in partnership with the Scottish Government and the other Enterprise and Skills Agencies to harness your collective expertise and knowledge, shaping our new economic future and determining how best we respond to emerging opportunities over the coming months.

Brexit

9. I do not underestimate the risks posed by the ongoing uncertainty around Brexit and the impact that this has on SOSE's own activity, as well as the advice and support it provides to businesses. The Scottish Government is committed to continued engagement with the UK Government on key issues of relevance to the Enterprise and Skills Agencies, such as new trading relationships and the UK Internal Market. I am grateful for SOSE's engagement with my officials on these issues and ask that it continues to share its views and experience. I am aware that continued uncertainty around the post-Brexit mechanism for funding approval and compliance is particularly difficult. I welcome SOSE's valuable contribution to the Building Resilience Steering Group and the work being taken forward to increase the preparedness of businesses.

Fairer, Stronger Workforce

10. I look to SOSE to continue to exemplify Fair Work practices building on the significant amount of work that has been done to engage and consult with your own staff during the

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crisis. I ask that SOSE continues with this positive approach and in doing so, reflects on the refreshed COVID-19 Statement of Fair Work Practices, as well as the Fair Work Convention's Framework. It is critical that all workforces are able to benefit from fair working practices and I ask that SOSE progresses our Fair Work First approach in the services and interventions it provides - supporting workers' wellbeing, providing them with an effective voice in decision-making, promoting equal pay and helping their business to recover from COVID-19. I will write again setting out in a Ministerial Direction the key features of the approaches that I expect SOSE to take in this area.

11. In addition, the Young Person's Guarantee will ensure that young people are given the chance to succeed despite the economic impacts of COVID-19. The interim report describes the overarching ambition and the expectation that a range of stakeholders, including the Enterprise and Skills Agencies, will contribute to its development and delivery. I recognise that alignment between the Young Person's Guarantee and the Enterprise and Skills Strategic Board will be crucial going forward and would ask SOSE to consider how best it can contribute to this important agenda, not only through supporting clients but specifically as an employer.

Enterprise and Skills Strategic Board - Collaboration and Alignment

12. The Strategic Plan developed by the Enterprise and Skills Strategic Board provides long term direction to Scotland's Enterprise and Skills Agencies and I ask that SOSE continues to make progress against the missions and actions set out in the Plan, and as agreed and reviewed. I also ask that you actively collaborate with the other agencies in your business planning by engaging with their Chief Executive Officers and Boards. The other agencies will be asked to involve you in their planning.

13. In July 2020 the Strategic Board published its recommendations for mitigating the labour market impacts of the COVID-19 crisis. Alongside your participation in the Young Person's Guarantee scheme, I ask that you work collaboratively to implement the actions set out in the Scottish Government's response, Addressing the Labour Market Emergency, and consider the practicalities of introducing the changes required to address rising unemployment, giving consideration to the potential for sharing resources.

14. I also look to SOSE to continue to work with the other Enterprise and Skills Agencies to provide budget for, and support, the Strategic Board's Analytical Unit.

SOSE's Contribution

15. In line with past letters of guidance, I have set out a series of ambitions and operational asks of SOSE at Annex A. I ask that you consider the ways in which SOSE can deliver against these ambitions, whilst still maintaining the necessary focus on supporting economic recovery in response to COVID-19 and preparing for EU Exit. Further information on Scottish Government policies of relevance to the Enterprise Agencies is included at Annex B.

SOSE's Budget 2020-21

16. Your core budget is detailed below. However, I would like to acknowledge the significant effort that each of the agencies has put into delivering the Scottish Government's £2.3bn support package for businesses, including the £13m SOSE has administered through the PERF, Hardship and Hotel Support Programme funds.

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17. For the remainder of 2020-21, I look to SOSE to make decisions that ensure the funds provided to it by the Scottish Government are used to progress the priorities set out in this letter, and in particular to (i) support recovery from the impacts of COVID-19 through the retention of existing jobs and the creation of new jobs, with a particular focus on young people, (ii) provide support to sectors most exposed to the economic effects of COVID-19, (iii) increase the preparedness of businesses for Brexit, and (iv) drive green and inclusive growth and the transition to net zero.

18. The budget allocation and monitoring letter issued in April 2020 confirmed your budget for 2020-21. Any in-year transfers, both in or out of the budget, will be detailed at the Autumn and Spring Budget Revisions, published each year and subject to Parliamentary scrutiny. I welcome SOSE's approach to working openly with officials to consider ways of prioritising and maximising spend within the confines of this settlement. I ask that you maintain a forensic scrutiny on your financial position and seek all opportunities to secure efficiencies.

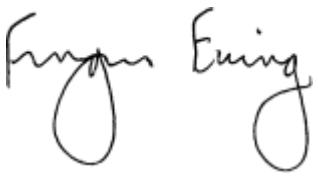
Financial Year 20-21	**(£m)**
Fiscal Resource	11.4
Fiscal Capital	8.4
Financial Transactions	5.0
Total Fiscal	24.8
Non Cash	2.5
Total Budget	**27.3**

19. All agencies should ensure that they follow the updated Accountable Officer (AO) Template process set out within the Scottish Public Finance Manual (SPFM). The AO template should be used for any new spending decisions over £1m for new COVID or non-COVID expenditure as well as any spend relating to EU transition. Draft templates should be shared with finance business partners as early as possible for review and SG finance should be engaged at the outset of any new spending proposals.

Conclusion

20. I hope the direction set out in this letter is helpful to inform your business planning for the remainder of 2020-21. I and my Ministerial colleagues are grateful for the contribution SOSE continues to make to realising the Government's purpose and I look forward to continuing to work with you as we navigate these challenging times.

Yours sincerely,



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ANNEX A

SOSE's contribution to Scottish Government's priorities

1. I welcome the commitment you have given to the development of SOSE since its launch in April 2020. SOSE reacted quickly and with keen willingness to work with stakeholders and partners in the area to mitigate the impacts of COVID-19 in the South of Scotland. I would again like to record my thanks for your hard work and efforts during this period.

Looking ahead

2. For the remainder of 2020-21, I look to SOSE to continue to make decisions that ensure the funds provided to it by Scottish Government are used to respond flexibly, creatively and with urgency to the economic crisis. In doing so, I ask that you focus on creating the conditions for a green, wellbeing economy underpinned by sustainable and inclusive economic growth. And that you continue to meet your statutory obligations and achieve the outcomes set out in SOSE's Operating Plan. I am aware that work has also started on development of SOSE's Action plan.

3. At the heart of these expectations is that SOSE operates as a highly effective public body focussed on improving outcomes, with particular emphasis on supporting those people, places and communities that have been adversely affected by the pandemic. I expect to see open and radical collaboration across a range of organisations, including business, private and public sector and communities to deliver the Place Principle. In particular, I would like to see an emphasis on community wealth building as means of strengthening local economies.

Partnership working

4. I expect SOSE, Highlands and Islands Enterprise, Scottish Enterprise and Skills Development Scotland to continue to work together with Business Gateway to deliver an effective and aligned business support system. It is essential that duplication is avoided and that businesses are able to access an improved and streamlined service that supports both their recovery and their ability to adapt and shape our new economy.

5. Ensuring a recovery that is strong, green and fair will require looking beyond our borders for opportunities and collaboration. I expect SOSE to play an active role in pursuing opportunities for trade and investment, in accordance with the actions set out in A Trading Nation, our recently published Inward Investment Plan and the forthcoming Capital Investment Plan. It is essential that work continues to build international awareness of our capital investment proposition and market making, and that it aligns with the Scottish National Investment Bank's strategic missions, ensuring that we send a clear message that Scotland is a good place to do business.

6. Building on the collaborative and innovative efforts demonstrated in response to the COVID-19 pandemic, I expect close partnership working to continue in support of our commitment to establish a Scottish Health and Industry Partnership, maximising the role of Scottish business and industry in supplying the NHS and other organisations involved in delivering healthcare.

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Inclusive Economic Growth

7. Community planning remains an important means through which SOSE can work with others to support the conditions for inclusive economic growth in local areas. It is in this context that community wealth building can play a key role in delivering genuinely inclusive economic opportunity, including ensuring that appropriate support is provided to enable our town centres to thrive.

8. Against this background I acknowledge your role in implementing the Borderlands Growth Deal programme and development of the South of Scotland Regional Economic Partnership. The significant investments we are making through the Borderlands Deal on themes like Quality of Place, Tourism, Innovation, Infrastructure and Connectivity aim to maximise the region's economic potential over the medium to long term. It is vital that our efforts and resources in the region align well to maximise the collective benefits and impacts achieved. I look to SOSE to play a leading role in working with Scottish Government officials and local authorities to shape, appraise and improve the Borderlands project proposals and support their effective delivery through active participation in the regional governance structures for the deal, bringing the full weight of your regional knowledge expertise and connections to bear to make the programme as successful as possible.

9. In developing a Regional Economic Strategy for the South of Scotland, I expect a collective, ambitious and compelling vision, co-ordinating national and local resources effectively to deliver actions that support real improvement. I am keen for SOSE to continue its active role in shaping the Regional Economic Partnership for the south and in supporting the Convention of the South of Scotland to ensure that it delivers tangible benefits for the region's economy and its people. This important programme of work will help catalyse investments and realise longer term ambitions to renew and grow the regional economy, encouraging business growth and protecting and creating high quality jobs.

10. In accordance with the Public Sector Equality Duty, I expect SOSE to play a key role in advancing equality of opportunity for those who experience exclusion - particularly younger people, women, disabled people and people from ethnic minorities. I want see evidence of this in your investment portfolio both as a factor in determining investments and as an outcome of investments. Equally I wish to see an emphasis on the Fairer Scotland Duty, narrowing the gaps in outcomes which result from socio economic disadvantage, ensuring that investments create a fairer, more equal, Scotland.

Climate Change

11. I expect SOSE to play a key role in helping Scotland achieve its ambitious Climate Change targets and ensuring a green recovery from COVID-19 that delivers economic, social and environmental opportunities. I expect you to work with businesses to help them transition towards a net-zero economy.

Business Innovation

12. We have set ourselves ambitious targets for improving our innovation performance and SOSE plays a key role in helping us to achieve these targets. I expect you to work closely with the Scottish Government, the other enterprise agencies, universities, industry and delivery bodies as we co-ordinate and collaborate on innovation activities that will make a

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substantial contribution towards our objectives for inclusive economic growth and a green recovery.

Digital Economy

13. I expect SOSE to place emphasis on the growth and development of both the demand and supply sides of Scotland's digital economy, with a particular focus on how digital developments can help aid future recovery and new ways of working.

Tourism

14. Recognising the support already being delivered to the tourism sector through your contribution to the South of Scotland Destination Alliance, I expect SOSE to work closely with other public sector and regional partners to support the ongoing recovery of the tourism sector, following the impact of the COVID-19 pandemic. Actions should focus on the Scottish Government's response to the Tourism Taskforce report and recommendations, set within the overall context of the tourism strategy launched in March 2020. Specifically, SOSE should work with VisitScotland, Scottish Enterprise, and Highlands and Islands Enterprise to deliver a tourism recovery plan to retain local employment and realisation of the Scottish Government's ambition for Scotland to be a leading global destination for sustainable, low carbon tourism built on fair work principles.

Fair Work

15. Fair Work is central to achieving the Purpose and outcomes set out in the National Performance Framework, particularly with reference to our ambitions for sustainable and inclusive growth. It is at the heart of Scotland's economic recovery and the Scottish Government's ambition to move toward a wellbeing economy and to become a Fair Work Nation by 2025.

16. I expect SOSE to support the development and promotion of the Fair Work employer support tool to help employers to adopt fairer working practices, and to promote the Scottish Business Pledge.

Conclusion

17. In conclusion, I hope that you will find this letter helpful in providing guidance for the remainder of 2020-21.

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ANNEX B

SCOTTISH GOVERNMENT POLICIES WITH SPECIFIC RELEVANCE TO THE ENTERPRISE AGENCIES

Programme for Government
Published on 1 September 2020, the Scottish Government's Programme for Government sets out the Government's actions for the next year including the Bills that will be introduced to the Scottish Parliament.

Scotland's Economic Strategy
The twin pillars of boosting competitiveness and tackling inequality in Scotland's Economic Strategy, which was published in 2015, remain core to our economic approach, as does the focus on investment, internationalisation, innovation and inclusive growth in supporting business and continuing to grow Scotland's economy.

Economic Recovery Implementation Plan
The Scottish Government's response to the Advisory Group on Economic Recovery set out priorities and commitments for Scotland's recovery from the economic impacts caused by the COVID-19 crisis. The implementation plan focuses on measures that can be taken to ensure a sustainable and just economic recovery – restarting Scotland's economic activity and prosperity whilst restating the commitment to strategic objectives including a wellbeing economy, fair work principles and a just transition to a net zero economy.

Addressing the Labour Market Emergency
In July 2020 the Enterprise and Skills Strategic Board published its recommendations for mitigating the labour market impacts of the COVID-19 crisis. The Scottish Government set out its response in Addressing the Labour Market Emergency.

Economic Action Plan
The Economic Action Plan 2019-2020 is at the heart of what this Government is doing to deliver sustainable and inclusive economic growth. It is part of the commitment to deliver growth in a way that enhances the quality of life for all of our citizens and which is compatible with achieving net-zero emissions by 2045. Doing so will enable Scotland to create a distinct growth model that is equitable and sustainable from the outset.

National Performance Framework (NPF)
Introduced in 2007 and refreshed in 2011, 2016 and 2018, the NPF sets out in the Purpose and the National Outcomes, a clear, unified vision for Scotland and how our actions will improve the quality of life for the people of Scotland.

Transforming Public Services – Supporting Growth
The Community Empowerment (Scotland) Act 2015 includes provisions to strengthen community planning. The Act, places new statutory duties on Community Planning Partnerships (CPPs) and public sector bodies - including the enterprise agency for the CPPs in its region - to improve outcomes and reduce socio-economic disadvantage for local communities (including the business community) through effective partnership working.

Fairer Scotland Duty (Interim) Guidance
This guidance places a legal responsibility on particular public bodies in Scotland to actively consider how they can reduce inequalities of outcome caused by socioeconomic

disadvantage. The final guidance will be developed with public bodies, grounded on experience of working on the Duty and reflecting the good practice that's already in place.

The Scottish Government has funded the Improvement Service to provide advice and training for public bodies on the new Duty going forward. If you would like to know more, please contact the Programme Manager, Transformation, Performance and Improvement at info@improvementservice.org.uk.

Scotland's international policy statement 2017
This policy statement builds on the four strategic objectives outlined in Scotland's International Framework.

Scottish Government's policy response to Brexit and subsequent analysis
The Scottish Government's policy response to Brexit and subsequent analysis is available at https://www.gov.scot/brexit/.

International Trade and Investment
A Trading Nation, published in May 2019, sets out the priority countries, sectors and businesses which the enterprise agencies should focus on and the actions which should be taken to increase Scotland's exports as a percentage of GDP and to reach our ambitious target of 25% by 2029.

The Inward Investment Plan (IIP), published in October 2020, sets out our ambition for Scotland as a leading destination for inward investment aligned with our values as a nation. The plan articulates the important role inward investment can play in Scotland's economic recovery by delivering high-value jobs to the economy.

There will be maintenance and expansion of the current capital investment portfolios of projects which includes the published Green Investment Portfolio. There will also be active engagement with developer and investor communities as well as planning and representing Scotland at major relevant international trade fairs such as MIPIM and EXPO Real.

Delivery against the capital investment attraction agenda will include the development of a Capital Investment Plan (CIP) and will set out the rationale and evidence for actions that position capital investment's key role in our economic recovery. It will also support our objective of delivering future ambitions around Net Zero, place making and in Scotland's key international opportunity areas.

Understanding the Scottish rural economy: research paper
This report outlines the Scottish Government's understanding of the Scottish rural economy and presents economic and social data.

Scotland CAN DO: an innovation action plan for Scotland
This innovation action plan builds on the progress we have made, working together, to boost Scotland's innovation performance. The enterprise agencies should continue to engage with Scottish Government and partners to evaluate the success and impact of the CAN DO approach and to support development and delivery of a refreshed common framework and statement of intent, identifying priority areas of action to support entrepreneurship in Scotland and to ensure that the power of entrepreneurship can be harnessed to support delivery of wider social and economic aims, driving sustainable and inclusive economic growth.

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Promoting Fair Work
The SG has been clear that Scotland's economic recovery and longer term plan for sustainable and inclusive growth must be driven by innovation and increased productivity, and the relationship between employers and workers should be right at the heart of this. The Fair Work Action Plan sets out the strategic approach being taken across the Scottish Government and with key partners to embed fair work within businesses across Scotland. Fair Work First guidance will be published in the coming weeks and will be available at Fair Work First. The Fair Work policy team will update the enterprise agencies when the guidance is published.

National Manufacturing Institute Scotland (NMIS).
Establishing the National Manufacturing Institute Scotland, which will be hosted by the University of Strathclyde, is a key investment being made by the Scottish Government to place Scotland at the forefront of advanced manufacturing. NMIS will be delivered through Scottish Enterprise who will also ensure that the services offered by the Institute are joined up with the wider Enterprise Support landscape.
National Manufacturing Institute for Scotland: statement of intent

Advancing Manufacturing Challenge Fund
The Scottish Government established an Advancing Manufacturing Challenge Fund to support the equipment and facilities needed to help small and medium-sized enterprises (SMEs) in Scotland improve their manufacturing capabilities, and spread the reach and benefits of advanced manufacturing. Scottish Enterprise operate as lead partners for fund implementation and ongoing management supported by the wider Enterprise Support landscape.

Making Scotland's Future
The Scottish Government, in conjunction with industry and key public sector partners including Scottish Enterprise, has developed an integrated programme of support for the manufacturing sector called Making Scotland's Future. Scottish Enterprise led four of the work streams programs and contribute to Board discussions and join up with the wider Enterprise Support Landscape.

Low Carbon Manufacturing Challenge Fund
The Scottish Government will establish a Low Carbon Manufacturing Challenge Fund to support innovation in low carbon technology, processes and infrastructure. It will be designed to build on Scotland's existing expertise, encouraging partnerships to come forward with bids that will encourage the adoption or development of low carbon technologies or processes. We want to reinforce Scotland's status as a leading exponent of efficient and sustainable manufacturing practices. We also want to better enable firms to enter low carbon markets and/or their existing supply chains. We would expect all the enterprise agencies to contribute the Fund's development, and to support its delivery once it is established.

The future of energy in Scotland: Scottish energy strategy
Scotland's energy strategy sets out the Scottish Government's vision for the future energy system in Scotland.

Support for Veterans and the Armed Forces community
This document sets out the work that is being done to respond to the recommendations made in the Scottish Veterans Commissioner's first three reports.

Realising Scotland's full potential in a digital world: a digital strategy for Scotland

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Scotland's refreshed digital strategy sets out our vision for Scotland as a vibrant, inclusive, open and outward looking digital nation. As we reflect on the response, recovery and renew and in particular the considerable contribution digital has made to date we are undertaking a consultation on the digital strategy with a view to update in 2021. All bodies should be aware of the Scottish Government Technology Assurance Framework, which is mandatory and applies to new digital public services and new investments in technology. Please contact digitalassurance@gov.scot if you would like to discuss the application of technology assurance within your organisation.

Scotland's Tourism Strategy and Tourism Taskforce Report

Scotland's tourism strategy, Scotland Outlook: 2030, was launched in March 2020. It reflects a collaborative and inclusive approach across agencies and the industry. The strategy represents a new approach putting our communities, our people, our visitors, our businesses and our environment at the heart of everything we do. This strategy remains the overall context for our support for the tourism industry. However, within this context, the Tourism Recovery Taskforce report, due to be published imminently, will set out recommendations for consideration by the Scottish and UK Governments to respond to the devastating impact of the COVID pandemic on the tourism sector.

Scotland's Themed Years

Themed Years have been running since 2009 as a way to celebrate a particular side to Scotland that deserves recognition. Following an industry consultation in 2016, Themed Years now take place biennially. In 2020 we are celebrating the Year of Scotland's Coasts and Waters, and in light of the impact of COVID-19 this Themed Year will be extended across 2021. The next Themed Year in plan will be Scotland's Stories in 2022.

Scotland's Social Enterprise Strategy and Action Plan

Scotland's Social Enterprise Strategy 2016-2026 and Action Plan outline collaborative work with the enterprise agencies, specifically actions 2B.2, 2B.3 and 2B.5.

New blueprint for Scotland's rural economy: recommendations to Scottish Ministers The National Council of Rural Advisers report detailing their final recommendations to Scottish Ministers on Scotland's rural economy.

Rural Economy Action Group

The Rural Economy Action Group, one of the NCRA's recommendations, will guide how Scottish Ministers drive forward recommendations of a report by the National Council of Rural Advisers (NCRA).

Creative Industries Policy Statement

Recognising the value of the creative economy to place, inclusive growth, well-being and Scotland's international profile, the enterprise agencies are expected to work constructively with Creative Scotland and other partners to realise the vision and priorities in our Policy Statement for the Creative Industries.

Screen Scotland

The enterprise agencies are expected to play a full part in Screen Scotland's governance and contribute actively to the work to fulfil our shared ambition of stronger collaborative working and effective delivery of public sector resources to drive inclusive growth and sustainability in Scotland's film and television sectors.

Scottish Growth Scheme

The enterprise agencies' contribution to the delivery of the Scottish Growth Scheme is extremely important, not just in securing success for the aspects that SE directly has responsibility but ensuring that the wider services available under the Scottish Growth Scheme are readily promoted to potential eligible businesses, working in partnership with the appointed Fund Managers.

Ambition 2030 Food & Drink Industry Strategy

The strategy, which was launched in 2017, sets out targets, supported by the industry and public sector alike, to grow the value of the sector to £30bn by 2030. The new phase of delivery, taking account of Brexit and COVID-19 on which we are working in partnership with the Food & Drink Industry, will be launched as an initial sectoral recovery plan (to be published late 2020). The plan seeks to bolster and accelerate the current core work of the Scotland Food & Drink Partnership in delivering Ambition 2030 and will allow for more resilience to be built into the sector, as well as representing an opportunity for renewal. We expect the enterprise agencies and SDI to play an enhanced role in supporting the growth and resilience of businesses in the food and drink sector as part of this work, including sustaining and enhancing investment for bespoke programmes and projects.

Life Sciences Strategy for Scotland 2025 Vision

The Strategy was published in February 2017. Its vision is to make Scotland the location of choice for the life sciences community and its mission is to increase the industry's contribution to the Scottish Economy to £8bn by 2025. All agencies will have a continued important role working in collaboration with industry, NHS, Government and academia to deliver the key recovery actions for the sector with a clear focus on growth opportunities and continued support of the Life Sciences Industry Leadership Group, Life Sciences Scotland, to develop and deliver the Strategy. The importance of the sector COVID-19 response was highlighted by Minister for Trade, Investment and Innovation during the Parliamentary Statement and in the accompanying publication in August 2020.

Women in enterprise: framework and action plan

The 2017 Women in enterprise: framework and action plan seeks to realise untapped economic potential by tackling the gender gap across start-ups and growth companies. The Scottish Government is committed to bringing forward a model to deliver future gender-aware and gender-specific policies and interventions regardless of location or stage on their entrepreneurial journey. This will follow a robust, evidence based approach. Enterprise agencies' support will be central to delivering a new model of support for women in enterprise in Scotland.

Clyde Mission

The purpose of the Clyde Mission is to make the Clyde an engine of sustainable and inclusive growth for the city, the region and Scotland. The Mission brings together public and private sector partners, including Scottish Enterprise, to harness the opportunities and competitive advantage of the River Clyde and the surrounding assets to deliver economic, social and environmental benefits.

United Nations Convention on the Rights of the Child (UNCRC) Incorporation

On 1 September 2020 the United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Bill was introduced to the Scottish Parliament. The Bill will ensure that there is a proactive culture of everyday accountability for children's rights across public services in Scotland. The Bill will mean that children, young people and their families will experience public authorities consistently acting to uphold the rights of all children in Scotland.

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Part 1 of the Children and Young People (Scotland) Act 2014 places a duty on Ministers to keep under consideration steps which would or might secure better or further effect the UNCRC, raise awareness of children's rights, and report to Parliament every 3 years on relevant progress and plans for the next 3 year period. The first Report and Action Plan were laid before Parliament in December 2018. A report on progress made in taking forward the Action Plan was published in November 2019.

Young Workforce

The enterprise agencies have a vital role to play in working with the Scottish Government to implement its youth employment strategy, Developing the Young Workforce, for example, by recruiting and training young people, working towards achieving the Investors in Young People gold standard and engaging with the education system to provide development opportunities for young people. Although through implementation of procurement policies that encourage more employers to contribute to the development of Scotland's young people.

Low Carbon sector and combating climate change

Our public bodies are at the frontline of Scotland's climate emergency response. We are committed to working closely with local government and the wider public sector to facilitate high ambition in tackling the global climate emergency. We look to all public bodies to help realise the significant opportunity for growing the **low carbon sector** both through leadership and directly through reduction of energy demand and integration of low carbon and renewable heat and energy technologies across estates.

More generally, we expect our public bodies to lead by example in **combating the climate emergency** and making a valuable contribution towards achieving our ambitious emissions reduction targets of 75% by 2030 and net zero emissions nationally by 2045.

2020/2021 will mark the sixth year of mandatory reporting from 180 listed public bodies on compliance with climate change duties. The mandatory reports for 2020/2021 are due to be submitted to the Scottish Government by 30 Nov 2021. Public Bodies climate change reporting duties requirement under sections 46 of the Climate Change (Scotland) Act 2009.

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DOC 9

Cabinet Secretary for Rural Economy and Tourism
Fergus Ewing MSP

F/T: 0300 244 4000
E: scottish.ministers@gov.scot

Alistair Dodds
Chair
Highlands and Islands Enterprise

17 December 2020

Dear Alistair,

HIE – GUIDANCE 2020-21

Introduction

1. Following our interim Strategic Letter of Guidance to the Enterprise and Skills Agencies in April 2020, I am writing to set out further guidance on my expectations and priorities for Highlands and Islands Enterprise (HIE) for the remainder of 2020-21.

2. I anticipate that the 2021-22 Strategic Letter of Guidance will issue in April 2021 and will focus on the priorities for each of the agencies for the next financial year.

Strategic context

COVID-19 recovery

3. This year has brought with it challenges that none of us could have foreseen. The COVID-19 pandemic has impacted our economy, delivery of skills support and educational establishments in a way that is truly unprecedented. I would like to take this opportunity to thank you and all your staff for the creative and innovative ways in which HIE pivoted its focus at such short notice to support Scotland's businesses, communities, learners and the wider economy.

4. I particularly welcome the flexibility HIE has demonstrated in responding to uncertain and fast moving circumstances and recognise that this has impacted on your ability to deliver other priorities. HIE's role in delivering the bespoke funds created in response to the pandemic has been key to ensuring that a significant number of businesses across Scotland can continue to operate and adapt to the changing environment. The efforts of your staff in supporting this delivery have been invaluable. It is critical that HIE continues to be adaptable, flexing where necessary over the remainder of this financial year, and that you respond to emerging need with a clear sense of urgency.

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5. The Scottish Government's priority is dealing with the economic, health and social crisis brought about by COVID-19. However, it is vital that we also consider how we can emerge from the crisis stronger and with a renewed focus on ensuring that Scotland's economy is as competitive, robust, fair and sustainable as it can be. The pandemic is shaping our economy, both in the immediate and longer term. Businesses, workforces and working practices are changing. I ask that you consider what can be done differently to support our growth sectors and help our businesses, third sector and social enterprises, and our communities to adapt successfully.

Programme for Government and the Economic Recovery Implementation Plan

6. Our Programme for Government 2020 (PfG) set out Ministers' strong belief that in recovering from COVID-19 it must not be business as usual, that we need to use this moment to make significant advances to deliver a recovery that is led by green growth and also promotes fairness and wellbeing. The PfG commits to:
    1. a national mission to create new jobs, good jobs and green jobs, with a particular focus on

young people;
    2. promoting lifelong health and wellbeing; and
    3. advancing equality and helping our young people grasp their potential.

7. The PfG also takes account of the findings of the Advisory Group on Economic Recovery and the Scottish Government's response, the Economic Recovery Implementation Plan. Delivering on the actions set out in the Implementation Plan will require a cohesive and coordinated approach and we have committed to working in partnership with HIE and the other Enterprise and Skills Agencies, business, trade unions, third and voluntary sector bodies and local authorities to achieve this. Discussion with the Enterprise and Skills Agencies on prioritising activity in support of this work will continue to take place through the Enterprise and Skills Strategic Board.
8. I look to HIE to ensure that its work over the remainder of this financial year aligns with the priorities set out in the PfG, the Economic Recovery Implementation Plan, and our wider economic strategy. I expect HIE to continue to work in partnership with the Scottish Government and the other Enterprise and Skills Agencies to harness your collective expertise and knowledge, shaping our new economic future and determining how best we respond to emerging opportunities over the coming months.

Brexit

9. I do not underestimate the risks posed by the ongoing uncertainty around Brexit and the impact that this has on HIE's own activity, as well as the advice and support it provides to businesses. The Scottish Government is committed to continued engagement with the UK Government on key issues of relevance to the Enterprise and Skills Agencies, such as new trading relationships and the UK Internal Market. I am grateful for HIE's engagement with my officials on these issues and ask that it continues to share its views and experience. I am aware that continued uncertainty around the post-Brexit mechanism for funding approval and compliance is particularly difficult. I welcome HIE's valuable contribution to the Building Resilience Steering Group and the work being taken forward to increase the preparedness of businesses.

Fairer, Stronger Workforce

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10. I look to HIE to continue to exemplify Fair Work practices, building on the significant amount of work that has been done to engage and consult with your own staff during the crisis. I ask that HIE continues with this positive approach and in doing so, reflects on the refreshed COVID-19 Statement of Fair Work Practices, as well as the Fair Work Convention's Framework. It is critical that all workforces are able to benefit from fair working practices and I ask that HIE progresses our Fair Work First approach in the services and interventions it provides - supporting workers' wellbeing, providing them with an effective voice in decision-making, promoting equal pay and helping their business to recover from COVID-19.

11. In addition, the Young Person's Guarantee will ensure that young people are given the chance to succeed despite the economic impacts of COVID-19. The interim report describes the overarching ambition and the expectation that a range of stakeholders, including the Enterprise and Skills Agencies, will contribute to its development and delivery. I recognise that alignment between the Young Person's Guarantee and the Enterprise and Skills Strategic Board will be crucial going forward and would ask HIE to consider how best it can contribute to this important agenda, not only through supporting clients but specifically as an employer.

Enterprise and Skills Strategic Board - Collaboration and Alignment

12. The Strategic Plan developed by the Enterprise and Skills Strategic Board provides long term direction to Scotland's Enterprise and Skills Agencies and I ask that HIE continues to make progress against the missions and actions set out in the Plan, and as agreed and reviewed. I also ask that you actively collaborate with the other agencies in your business planning by engaging with their Chief Executive Officers and Boards. The other agencies will be asked to involve you in their planning.

13. In July 2020 the Strategic Board published its recommendations for mitigating the labour market impacts of the COVID-19 crisis. Alongside your participation in the Young Person's Guarantee scheme, I ask that you work collaboratively to implement the actions set out in the Scottish Government's response, Addressing the Labour Market Emergency, and consider the practicalities of introducing the changes required to address rising unemployment, giving consideration to the potential for sharing resources.

14. I also look to HIE to continue to work with the other Enterprise and Skills Agencies to provide budget for, and support, the Strategic Board's Analytical Unit.

HIE's Contribution

15. In line with past letters of guidance, I have set out a series of ambitions and operational asks of HIE at Annex A. I ask that you consider the ways in which HIE can deliver against these ambitions, whilst still maintaining the necessary focus on supporting economic recovery in response to COVID-19 and preparing for EU Exit. Further information on Scottish Government policies of relevance to the Enterprise Agencies is included at Annex B.

HIE's Budget 2020-21

16. Your core budget is detailed below. However, I would like to acknowledge the significant effort that each of the agencies has put into delivering the Scottish Government's £2.3bn

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support package for businesses, including the £30m HIE has administered through the PERF, Hardship and Hotel Support Programme funds.

17. For the remainder of 2020-21, I look to HIE to make decisions that ensure the funds provided to it by the Scottish Government are used to progress the priorities set out in this letter, and in particular to (i) support recovery from the impacts of COVID-19 through the retention of existing jobs and the creation of new jobs, with a particular focus on young people, (ii) provide support to sectors most exposed to the economic effects of COVID-19 (iii) increase the preparedness of businesses for Brexit, and (iv) drive green and inclusive growth and the transition to net zero.

18. The budget allocation and monitoring letter issued in April 2020 confirmed your budget for 2020-21. Any in-year transfers, both in or out of the budget, will be detailed at the Autumn and Spring Budget Revisions, published each year and subject to Parliamentary scrutiny. I welcome HIE's approach to working openly with officials to consider ways of prioritising and maximising spend within the confines of this settlement. I ask that you maintain a forensic scrutiny on your financial position and seek all opportunities to secure efficiencies.

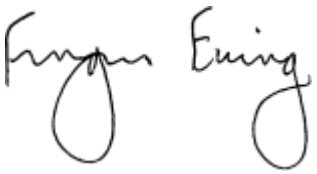
Financial Year 20-21	**(£m)**
Fiscal Resource	25.495
Fiscal Capital	25.500
Financial Transactions	2.000
Total Fiscal	52.995
Non Cash	5.095
Total Budget	**58.090**

19. All agencies should ensure that they follow the updated Accountable Officer (AO) Template process set out within the Scottish Public Finance Manual (SPFM). The AO template should be used for any new spending decisions over £1m for new COVID or non-COVID expenditure as well as any spend relating to EU transition. Draft templates should be shared with finance business partners as early as possible for review and SG finance should be engaged at the outset of any new spending proposals.

Conclusion

I hope the direction set out in this letter is helpful to inform your business planning for the remainder of 2020-21. I and my Ministerial colleagues are grateful for the contribution HIE continues to make to realising the Government's purpose and I look forward to continuing to work with you as we navigate these challenging times.

Yours sincerely,



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ANNEX A

HIE's contribution to Scottish Government's priorities

1. I welcome the commitment HIE has demonstrated in leading on and working collaboratively with other stakeholders and partners in reacting to the impacts of COVID-19. I would again like to record my thanks for your flexibility and hard work during this period.

Looking ahead

2. For the remainder of 2020-21, I look to HIE to continue to make decisions that ensure the funds provided to it by Scottish Government are used to respond flexibly, creatively and with urgency to the economic crisis. In doing so, I ask that you focus on creating the conditions for a green, wellbeing economy underpinned by sustainable and inclusive economic growth. And that you continue to meet your statutory obligations and achieve the outcomes set out in HIE's Strategy and Operating Plan 2019-2022.
3. At the heart of these expectations is that HIE operates as a highly effective public body focussed on improving outcomes, with particular emphasis on supporting those people, places and communities that have been adversely affected by the pandemic. I expect to see open and radical collaboration across a range of organisations, including business, private and public sector and communities to deliver the Place Principle. In particular, I would like to see an emphasis on community wealth building as means of strengthening local economies.

Partnership working

4. I expect HIE, Scottish Enterprise, South of Scotland Enterprise and Skills Development Scotland to continue to work together with Business Gateway to deliver an effective and aligned business support system. It is essential that duplication is avoided and that businesses are able to access an improved and streamlined service that supports both their recovery and their ability to adapt and shape our new economy.
5. Ensuring a recovery that is strong, green and fair will require looking beyond our borders for opportunities and collaboration. I expect HIE to play an active role in pursuing opportunities for trade and investment, in accordance with the actions set out in A Trading Nation, our recently published Inward Investment Plan and the forthcoming Capital Investment Plan. It is essential that work continues to build international awareness of our capital investment proposition and market making, and that it aligns with the Scottish National Investment Bank's strategic missions, ensuring that we send a clear message that Scotland is a good place to do business.
6. Building on the collaborative and innovative efforts demonstrated in response to the COVID-19 pandemic, I expect close partnership working to continue in support of our commitment to establish a Scottish Health and Industry Partnership, maximising the role of Scottish business and industry in supplying the NHS and other organisations involved in delivering healthcare.

Inclusive Economic Growth

7. Community planning remains an important means through which HIE can work with others to support the conditions for inclusive economic growth in local areas. It is in this context that community wealth building can play a key role in delivering genuinely inclusive economic opportunity, including ensuring that appropriate support is provided to enable our town centres to thrive.
8. Against this background I acknowledge the role HIE continues to play in supporting the implementation of growth deals and development of associated economic partnerships or

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cross authority collaborations, such as the Convention of the Highlands and Islands. I expect you to continue to support these local authority-led partnerships and to use their growth deal programmes as a catalyst for realising longer term ambitions to renew and grow regional economies by encouraging business growth and protecting and creating high quality jobs. It is vital that our efforts and resources in the region align well to maximise the collective benefits and impacts achieved. I look to HIE to bring the full weight of your regional knowledge, expertise and connections to bear to make the deal programmes as successful as possible.

9. In accordance with the Public Sector Equality Duty, I expect HIE to play a key role in advancing equality of opportunity for those who experience exclusion - particularly younger people, women, disabled people and people from ethnic minorities. I want see evidence of this in your investment portfolio both as a factor in determining investments and as an outcome of investments. Equally I wish to see an emphasis on the Fairer Scotland Duty, narrowing the gaps in outcomes which result from socio economic disadvantage ensuring that investments create a fairer, more equal, Scotland.

Climate Change

10. I expect HIE to play a key role in helping Scotland achieve its ambitious Climate Change targets and ensuring a green recovery from COVID-19 that delivers economic, social and environmental opportunities. I expect you to work with businesses to help them transition towards a net-zero economy. I also acknowledge the role that Wave Energy Scotland has played to date and look to HIE to continue to ensure that renewable energy opportunities such as Wave Energy Scotland continue to be explored and developed.

Business Innovation

11. We have set ourselves ambitious targets for improving our innovation performance and HIE plays a key role in helping us to achieve these targets. I expect you to work closely with the Scottish Government, the other enterprise agencies, universities, industry and delivery bodies as we co-ordinate and collaborate on innovation activities that will make a substantial contribution towards our objectives for inclusive economic growth and a green recovery.

Digital Economy

12. I expect HIE to place emphasis on the growth and development of both the demand and supply sides of Scotland's digital economy, with a particular focus on how digital developments can help aid future recovery and new ways of working.

Tourism

13. I expect HIE to work closely with other public sector and regional partners to support the ongoing recovery of the tourism sector, following the impact of the COVID-19 pandemic. Actions should focus on the Scottish Government's response to the Tourism Taskforce report and recommendations, set within the overall context of the tourism strategy launched in March 2020. Specifically, HIE should work with VisitScotland, Scottish Enterprise and South of Scotland Enterprise to deliver a tourism recovery plan to retain local employment and realisation of the Scottish Government's ambition for Scotland to be a leading global destination for sustainable, low carbon tourism built on fair work principles.

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Fair Work

14. Fair Work is central to achieving the Purpose and outcomes set out in the National Performance Framework, particularly with reference to our ambitions for sustainable and inclusive growth. It is at the heart of Scotland's economic recovery and the Scottish Government's ambition to move toward a wellbeing economy and to become a Fair Work Nation by 2025. In the year ahead, I expect HIE to apply three of the five Fair Work First criteria (payment of the real Living Wage, no inappropriate use of zero hours contracts and action to tackle the gender pay gap and create a more diverse and inclusive workforce) to grants and other financial support of £100k and above, where this helps create or retain jobs. I also look to HIE to explore opportunities for applying Fair Work First to appropriate procurements and to engage with Scottish Government's Procurement Directorate to learn from wider public sector procurement practice.
15. I expect HIE to support the development and promotion of the Fair Work employer support tool to help employers to adopt fairer working practices, and to promote the Scottish Business Pledge. I also ask that you continue to contribute to development of a monitoring framework for measuring the impact of Fair Work First.

National Projects

16. Finally, I want to acknowledge the work that HIE has been undertaking to support delivery of key projects which are of national importance - specifically work in relation to Cairngorm, Nigg and the development of Space Hub Sutherland. I am grateful to HIE for the work that is being carried out to develop viable solutions which ensure that the economic opportunities at a regional and national level are maximised and that value for money is achieved.

Conclusion

17. In conclusion, I hope that you will find this letter helpful in providing guidance for the remainder of 2020-21.

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ANNEX B

SCOTTISH GOVERNMENT POLICIES WITH SPECIFIC RELEVANCE TO THE ENTERPRISE AGENCIES

Programme for Government
Published on 1 September 2020, the Scottish Government's Programme for Government sets out the Government's actions for the next year including the Bills that will be introduced to the Scottish Parliament.

Scotland's Economic Strategy
The twin pillars of boosting competitiveness and tackling inequality in Scotland's Economic Strategy, which was published in 2015, remain core to our economic approach, as does the focus on investment, internationalisation, innovation and inclusive growth in supporting business and continuing to grow Scotland's economy.

Economic Recovery Implementation Plan
The Scottish Government's response to the Advisory Group on Economic Recovery set out priorities and commitments for Scotland's recovery from the economic impacts caused by the COVID-19 crisis. The implementation plan focuses on measures that can be taken to ensure a sustainable and just economic recovery – restarting Scotland's economic activity and prosperity whilst restating the commitment to strategic objectives including a wellbeing economy, fair work principles and a just transition to a net zero economy.

Addressing the Labour Market Emergency
In July 2020 the Enterprise and Skills Strategic Board published its recommendations for mitigating the labour market impacts of the COVID-19 crisis. The Scottish Government set out its response in Addressing the Labour Market Emergency.

Economic Action Plan
The Economic Action Plan 2019-2020 is at the heart of what this Government is doing to deliver sustainable and inclusive economic growth. It is part of the commitment to deliver growth in a way that enhances the quality of life for all of our citizens and which is compatible with achieving net-zero emissions by 2045. Doing so will enable Scotland to create a distinct growth model that is equitable and sustainable from the outset.

National Performance Framework (NPF)
Introduced in 2007 and refreshed in 2011, 2016 and 2018, the NPF sets out in the Purpose and the National Outcomes, a clear, unified vision for Scotland and how our actions will improve the quality of life for the people of Scotland.

Transforming Public Services – Supporting Growth
The Community Empowerment (Scotland) Act 2015 includes provisions to strengthen community planning. The Act, places new statutory duties on Community Planning Partnerships (CPPs) and public sector bodies - including the enterprise agency for the CPPs in its region - to improve outcomes and reduce socio-economic disadvantage for local communities (including the business community) through effective partnership working.

Fairer Scotland Duty (Interim) Guidance
This guidance places a legal responsibility on particular public bodies in Scotland to actively consider how they can reduce inequalities of outcome caused by socioeconomic

disadvantage. The final guidance will be developed with public bodies, grounded on experience of working on the Duty and reflecting the good practice that's already in place.

The Scottish Government has funded the Improvement Service to provide advice and training for public bodies on the new Duty going forward. If you would like to know more, please contact the Programme Manager, Transformation, Performance and Improvement at info@improvementservice.org.uk.

Scotland's international policy statement 2017
This policy statement builds on the four strategic objectives outlined in Scotland's International Framework.

Scottish Government's policy response to Brexit and subsequent analysis
The Scottish Government's policy response to Brexit and subsequent analysis is available at https://www.gov.scot/brexit/.

International Trade and Investment
A Trading Nation, published in May 2019, sets out the priority countries, sectors and businesses which the enterprise agencies should focus on and the actions which should be taken to increase Scotland's exports as a percentage of GDP and to reach our ambitious target of 25% by 2029.

The Inward Investment Plan (IIP), published in October 2020, sets out our ambition for Scotland as a leading destination for inward investment aligned with our values as a nation. The plan articulates the important role inward investment can play in Scotland's economic recovery by delivering high-value jobs to the economy.

There will be maintenance and expansion of the current capital investment portfolios of projects which includes the published Green Investment Portfolio. There will also be active engagement with developer and investor communities as well as planning and representing Scotland at major relevant international trade fairs such as MIPIM and EXPO Real.

Delivery against the capital investment attraction agenda will include the development of a Capital Investment Plan (CIP) and will set out the rationale and evidence for actions that position capital investment's key role in our economic recovery. It will also support our objective of delivering future ambitions around Net Zero, place making and in Scotland's key international opportunity areas.

Understanding the Scottish rural economy: research paper
This report outlines the Scottish Government's understanding of the Scottish rural economy and presents economic and social data.

Scotland CAN DO: an innovation action plan for Scotland
This innovation action plan builds on the progress we have made, working together, to boost Scotland's innovation performance. The enterprise agencies should continue to engage with Scottish Government and partners to evaluate the success and impact of the CAN DO approach and to support development and delivery of a refreshed common framework and statement of intent, identifying priority areas of action to support entrepreneurship in Scotland and to ensure that the power of entrepreneurship can be harnessed to support delivery of wider social and economic aims, driving sustainable and inclusive economic growth.

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Promoting Fair Work
The SG has been clear that Scotland's economic recovery and longer term plan for sustainable and inclusive growth must be driven by innovation and increased productivity, and the relationship between employers and workers should be right at the heart of this. The Fair Work Action Plan sets out the strategic approach being taken across the Scottish Government and with key partners to embed fair work within businesses across Scotland. Fair Work First guidance will be published in the coming weeks and will be available at Fair Work First. The Fair Work policy team will update the enterprise agencies when the guidance is published.

National Manufacturing Institute Scotland (NMIS).
Establishing the National Manufacturing Institute Scotland, which will be hosted by the University of Strathclyde, is a key investment being made by the Scottish Government to place Scotland at the forefront of advanced manufacturing. NMIS will be delivered through Scottish Enterprise who will also ensure that the services offered by the Institute are joined up with the wider Enterprise Support landscape.
National Manufacturing Institute for Scotland: statement of intent

Advancing Manufacturing Challenge Fund
The Scottish Government established an Advancing Manufacturing Challenge Fund to support the equipment and facilities needed to help small and medium-sized enterprises (SMEs) in Scotland improve their manufacturing capabilities, and spread the reach and benefits of advanced manufacturing. Scottish Enterprise operate as lead partners for fund implementation and ongoing management supported by the wider Enterprise Support landscape.

Making Scotland's Future
The Scottish Government, in conjunction with industry and key public sector partners including Scottish Enterprise, has developed an integrated programme of support for the manufacturing sector called Making Scotland's Future. Scottish Enterprise led four of the work streams programs and contribute to Board discussions and join up with the wider Enterprise Support Landscape.

Low Carbon Manufacturing Challenge Fund
The Scottish Government will establish a Low Carbon Manufacturing Challenge Fund to support innovation in low carbon technology, processes and infrastructure. It will be designed to build on Scotland's existing expertise, encouraging partnerships to come forward with bids that will encourage the adoption or development of low carbon technologies or processes. We want to reinforce Scotland's status as a leading exponent of efficient and sustainable manufacturing practices. We also want to better enable firms to enter low carbon markets and/or their existing supply chains. We would expect all the enterprise agencies to contribute the Fund's development, and to support its delivery once it is established.

The future of energy in Scotland: Scottish energy strategy
Scotland's energy strategy sets out the Scottish Government's vision for the future energy system in Scotland.

Support for Veterans and the Armed Forces community
This document sets out the work that is being done to respond to the recommendations made in the Scottish Veterans Commissioner's first three reports.

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Realising Scotland's full potential in a digital world: a digital strategy for Scotland
Scotland's refreshed digital strategy sets out our vision for Scotland as a vibrant, inclusive, open and outward looking digital nation. As we reflect on the response, recovery and renew and in particular the considerable contribution digital has made to date we are undertaking a consultation on the digital strategy with a view to update in 2021. All bodies should be aware of the Scottish Government Technology Assurance Framework, which is mandatory and applies to new digital public services and new investments in technology. Please contact digitalassurance@gov.scot if you would like to discuss the application of technology assurance within your organisation.

Scotland's Tourism Strategy and Tourism Taskforce Report
Scotland's tourism strategy, Scotland Outlook: 2030, was launched in March 2020. It reflects a collaborative and inclusive approach across agencies and the industry. The strategy represents a new approach putting our communities, our people, our visitors, our businesses and our environment at the heart of everything we do. This strategy remains the overall context for our support for the tourism industry. However, within this context, the Tourism Recovery Taskforce report, due to be published imminently, will set out recommendations for consideration by the Scottish and UK Governments to respond to the devastating impact of the COVID pandemic on the tourism sector.

Scotland's Themed Years
Themed Years have been running since 2009 as a way to celebrate a particular side to Scotland that deserves recognition. Following an industry consultation in 2016, Themed Years now take place biennially. In 2020 we are celebrating the Year of Scotland's Coasts and Waters, and in light of the impact of COVID-19 this Themed Year will be extended across 2021. The next Themed Year in plan will be Scotland's Stories in 2022.

Scotland's Social Enterprise Strategy and Action Plan
Scotland's Social Enterprise Strategy 2016-2026 and Action Plan outline collaborative work with the enterprise agencies, specifically actions 2B.2, 2B.3 and 2B.5.
New blueprint for Scotland's rural economy: recommendations to Scottish Ministers The National Council of Rural Advisers report detailing their final recommendations to Scottish Ministers on Scotland's rural economy.

Rural Economy Action Group
The Rural Economy Action Group, one of the NCRA's recommendations, will guide how Scottish Ministers drive forward recommendations of a report by the National Council of Rural Advisers (NCRA).

Creative Industries Policy Statement
Recognising the value of the creative economy to place, inclusive growth, well-being and Scotland's international profile, the enterprise agencies are expected to work constructively with Creative Scotland and other partners to realise the vision and priorities in our Policy Statement for the Creative Industries.

Screen Scotland
The enterprise agencies are expected to play a full part in Screen Scotland's governance and contribute actively to the work to fulfil our shared ambition of stronger collaborative working and effective delivery of public sector resources to drive inclusive growth and sustainability in Scotland's film and television sectors.

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Scottish Growth Scheme

The enterprise agencies' contribution to the delivery of the Scottish Growth Scheme is extremely important, not just in securing success for the aspects that SE directly has responsibility but ensuring that the wider services available under the Scottish Growth Scheme are readily promoted to potential eligible businesses, working in partnership with the appointed Fund Managers.

Ambition 2030 Food & Drink Industry Strategy

The strategy, which was launched in 2017, sets out targets, supported by the industry and public sector alike, to grow the value of the sector to £30bn by 2030. The new phase of delivery, taking account of Brexit and COVID-19 on which we are working in partnership with the Food & Drink Industry, will be launched as an initial sectoral recovery plan (to be published late 2020). The plan seeks to bolster and accelerate the current core work of the Scotland Food & Drink Partnership in delivering Ambition 2030 and will allow for more resilience to be built into the sector, as well as representing an opportunity for renewal. We expect the enterprise agencies and SDI to play an enhanced role in supporting the growth and resilience of businesses in the food and drink sector as part of this work, including sustaining and enhancing investment for bespoke programmes and projects.

Life Sciences Strategy for Scotland 2025 Vision

The Strategy was published in February 2017. Its vision is to make Scotland the location of choice for the life sciences community and its mission is to increase the industry's contribution to the Scottish Economy to £8bn by 2025. All agencies will have a continued important role working in collaboration with industry, NHS, Government and academia to deliver the key recovery actions for the sector with a clear focus on growth opportunities and continued support of the Life Sciences Industry Leadership Group, Life Sciences Scotland, to develop and deliver the Strategy. The importance of the sector COVID-19 response was highlighted by Minister for Trade, Investment and Innovation during the Parliamentary Statement and in the accompanying publication in August 2020.

Women in enterprise: framework and action plan

The 2017 Women in enterprise: framework and action plan seeks to realise untapped economic potential by tackling the gender gap across start-ups and growth companies. The Scottish Government is committed to bringing forward a model to deliver future gender-aware and gender-specific policies and interventions regardless of location or stage on their entrepreneurial journey. This will follow a robust, evidence based approach. Enterprise agencies' support will be central to delivering a new model of support for women in enterprise in Scotland.

Clyde Mission

The purpose of the Clyde Mission is to make the Clyde an engine of sustainable and inclusive growth for the city, the region and Scotland. The Mission brings together public and private sector partners, including Scottish Enterprise, to harness the opportunities and competitive advantage of the River Clyde and the surrounding assets to deliver economic, social and environmental benefits.

United Nations Convention on the Rights of the Child (UNCRC) Incorporation

On 1 September 2020 the United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Bill was introduced to the Scottish Parliament. The Bill will ensure that there is a proactive culture of everyday accountability for children's rights across public services in Scotland. The Bill will mean that children, young people and their families will experience public authorities consistently acting to uphold the rights of all children in Scotland.

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Part 1 of the Children and Young People (Scotland) Act 2014 places a duty on Ministers to keep under consideration steps which would or might secure better or further effect the UNCRC, raise awareness of children's rights, and report to Parliament every 3 years on relevant progress and plans for the next 3 year period. The first Report and Action Plan were laid before Parliament in December 2018. A report on progress made in taking forward the Action Plan was published in November 2019.

Young Workforce

The enterprise agencies have a vital role to play in working with the Scottish Government to implement its youth employment strategy, Developing the Young Workforce, for example, by recruiting and training young people, working towards achieving the Investors in Young People gold standard and engaging with the education system to provide development opportunities for young people. Although through implementation of procurement policies that encourage more employers to contribute to the development of Scotland's young people.

Low Carbon sector and combating climate change

Our public bodies are at the frontline of Scotland's climate emergency response. We are committed to working closely with local government and the wider public sector to facilitate high ambition in tackling the global climate emergency. We look to all public bodies to help realise the significant opportunity for growing the **low carbon sector** both through leadership and directly through reduction of energy demand and integration of low carbon and renewable heat and energy technologies across estates.

More generally, we expect our public bodies to lead by example in **combating the climate emergency** and making a valuable contribution towards achieving our ambitious emissions reduction targets of 75% by 2030 and net zero emissions nationally by 2045.

2020/2021 will mark the sixth year of mandatory reporting from 180 listed public bodies on compliance with climate change duties. The mandatory reports for 2020/2021 are due to be submitted to the Scottish Government by 30 Nov 2021. Public Bodies climate change reporting duties requirement under sections 46 of the Climate Change (Scotland) Act 2009.

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DOC 10

Cabinet Secretary for Economy, Fair Work and Culture
Fiona Hyslop MSP

T: 0300 244 4000
E: scottish.ministers@gov.scot

Lord Smith of Kelvin
By Email

14 December 2020

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Dear Lord Smith

Scottish Enterprise – GUIDANCE 2020-21

Introduction

1. Following our interim Strategic Letter of Guidance to the Enterprise and Skills Agencies in April 2020, I am writing to set out further guidance on my expectations and priorities for Scottish Enterprise (SE) for the remainder of 2020-21.

2. I anticipate that the 2021-22 Strategic Letter of Guidance will issue in April 2021 and will focus on the priorities for each of the agencies for the next financial year.

Strategic context

COVID-19 recovery

3. This year has brought with it challenges that none of us could have foreseen. The COVID-19 pandemic has impacted our economy, delivery of skills support and educational establishments in a way that is truly unprecedented. I would like to take this opportunity to thank you and all your staff for the creative and innovative ways in which SE pivoted its focus at such short notice to support Scotland's businesses, communities, learners and the wider economy.

4. I particularly welcome the flexibility SE has demonstrated in responding to uncertain and fast moving circumstances and recognise that this has impacted on your ability to deliver other priorities. SE's role in delivering the bespoke funds created in response to the pandemic has been key to ensuring that a significant number of businesses across Scotland can continue to operate and adapt to the changing environment. The efforts of your staff in supporting this delivery have been invaluable. It is critical that SE continues to be adaptable, flexing where necessary over the remainder of this financial year, and that you respond to emerging need with a clear sense of urgency. The Scottish Government's priority is dealing with the economic, health and social crisis brought about by COVID-19. However, it

is vital that we also consider how we can emerge from the crisis stronger and with a renewed focus on ensuring that Scotland's economy is as competitive, robust, fair and sustainable as it can be. The pandemic is shaping our economy, both in the immediate and longer term. Businesses, workforces and working practices are changing. I ask that you consider what can be done differently to support our growth sectors and help our businesses, third sector and social enterprises, and our communities to adapt successfully.

Programme for Government and the Economic Recovery Implementation Plan

5. Our Programme for Government 2020 (PfG) set out Ministers' strong belief that in recovering from COVID-19 it must not be business as usual, that we need to use this moment to make significant advances to deliver a recovery that is led by green growth and also promotes fairness and wellbeing. The PfG commits to:

    1. a national mission to create new jobs, good jobs and green jobs, with a particular focus on young people;
    2. promoting lifelong health and wellbeing; and
    3. advancing equality and helping our young people grasp their potential.

6. The PfG also takes account of the findings of the Advisory Group on Economic Recovery and the Scottish Government's response, the Economic Recovery Implementation Plan. Delivering on the actions set out in the Implementation Plan will require a cohesive and coordinated approach and we have committed to working in partnership with SE and the other Enterprise and Skills Agencies, business, trade unions, third and voluntary sector bodies and local authorities to achieve this. Discussion with the Enterprise and Skills Agencies on prioritising activity in support of this work will continue to take place through the Enterprise and Skills Strategic Board.

7. I look to SE to ensure that its work over the remainder of this financial year aligns with the priorities set out in the PfG, the Economic Recovery Implementation Plan, and our wider economic strategy. I expect SE to continue to work in partnership with the Scottish Government and the other Enterprise and Skills Agencies to harness your collective expertise and knowledge, shaping our new economic future and determining how best we respond to emerging opportunities over the coming months.

Brexit

8. I do not underestimate the risks posed by the ongoing uncertainty around Brexit and the impact that this has on SE's own activity, as well as the advice and support it provides to businesses. The Scottish Government is committed to continued engagement with the UK Government on key issues of relevance to the Enterprise and Skills Agencies, such as new trading relationships and the UK Internal Market. I am grateful for SE's engagement with my officials on these issues and ask that it continues to share its views and experience. I am aware that continued uncertainty around the post-Brexit mechanism for funding approval and compliance is particularly difficult. I welcome SE's valuable contribution to the Building Resilience Steering Group and the work being taken forward to increase the preparedness of businesses.

Fairer, Stronger Workforce

9. I look to SE to continue to exemplify Fair Work practices, building on the significant amount of work that has been done to engage and consult with your own staff during the crisis. I ask that SE continues with this positive approach and in doing so, reflects on the refreshed COVID-19 Statement of Fair Work Practices, as well as the Fair Work Convention's Framework. It is critical that all workforces are able to benefit from fair working practices and we ask that SE progresses our Fair Work First approach in the services and interventions it provides - supporting workers' wellbeing, providing them with an effective voice in decision-making, promoting equal pay and helping their business to recover from COVID-19.

10. In addition, the Young Person's Guarantee will ensure that young people are given the chance to succeed despite the economic impacts of COVID-19. The interim report describes the overarching ambition and the expectation that a range of stakeholders, including the Enterprise and Skills Agencies, will contribute to its development and delivery. I recognise that alignment between the Young Person's Guarantee and the Enterprise and Skills Strategic Board will be crucial going forward and would ask SE to consider how best it can contribute to this important agenda, not only through supporting clients but specifically as an employer.

Enterprise and Skills Strategic Board - Collaboration and Alignment

11. The Strategic Plan developed by the Enterprise and Skills Strategic Board provides long term direction to Scotland's Enterprise and Skills Agencies and I ask that SE continues to make progress against the missions and actions set out in the Plan, and as agreed and reviewed. I also ask that you actively collaborate with the other agencies in your business planning by engaging with their Chief Executive Officers and Boards. The other agencies will be asked to involve you in their planning.

12. In July 2020 the Strategic Board published its recommendations for mitigating the labour market impacts of the COVID-19 crisis. Alongside your participation in the Young Person's Guarantee scheme, I ask that you work collaboratively to implement the actions set out in the Scottish Government's response, Addressing the Labour Market Emergency, and consider the practicalities of introducing the changes required to address rising unemployment, giving consideration to the potential for sharing resources.

13. I also look to SE to continue to work with the other Enterprise and Skills Agencies to provide budget for, and support, the Strategic Board's Analytical Unit.

SE's Contribution

14. In line with past letters of guidance, I have set out a series of ambitions and operational asks of SE at Annex A. I ask that you consider the ways in which SE can deliver against these ambitions, whilst still maintaining the necessary focus on supporting economic recovery in response to COVID-19 and preparing for EU Exit. Further information on Scottish Government policies of relevance to the Enterprise Agencies is included at Annex B.

SE's Budget 2020-21

15. Your core budget is detailed below. However, I would like to acknowledge the significant effort that each of the agencies has put into delivering the Scottish Government's £2.3bn support package for businesses, including the £122m SE has administered through the PERF, Hardship and Hotel Support Programme funds.

16. For the remainder of 2020-21, I look to SE to make decisions that ensure the funds provided to it by the Scottish Government are used to progress the priorities set out in this letter, and in particular to (i) support recovery from the impacts of COVID-19 through the retention of existing jobs and the creation of new jobs, with a particular focus on young people, (ii) provide support to sectors most exposed to the economic effects of COVID-19 (iii) increase the preparedness of businesses for Brexit, and (iv) drive green and inclusive growth and the transition to net zero.

17. The budget allocation and monitoring letter issued in April 2020 confirmed your budget for 2020-21. Any in-year transfers, both in or out of the budget, will be detailed at the Autumn and Spring Budget Revisions, published each year and subject to Parliamentary scrutiny. I welcome SE's approach to working openly with officials to consider ways of prioritising and maximising spend within the confines of this settlement. I ask that you maintain a forensic scrutiny on your financial position and seek all opportunities to secure efficiencies.

Financial Year 20-21	**(£m)**
Fiscal Resource	123.120
Fiscal Capital	42.035
Financial Transactions – Expenditure	48.500
Financial Transactions - Income	-9.900
Total Fiscal	203.755
Non-Cash	8.300
Total Budget	**212.055**

18. All agencies should ensure that they follow the updated Accountable Officer (AO) Template process set out within the Scottish Public Finance Manual (SPFM). The AO template should be used for any new spending decisions over £1m for new COVID or non-COVID expenditure as well as any spend relating to EU transition. Draft templates should be shared with finance business partners as early as possible for review and SG finance should be engaged at the outset of any new spending proposals.

Conclusion

19. I hope the direction set out in this letter is helpful to inform your business planning for the remainder of 2020-21. I and my Ministerial colleagues are grateful for the contribution SE continues to make to realising the Government's purpose and I look forward to continuing to work with you as we navigate these challenging times.

FIONA HYSLOP

ANNEX A

SE's contribution to Scottish Government's priorities

1. I welcome the commitment SE has demonstrated in leading on and working collaboratively with other stakeholders and partners in reacting to the impacts of COVID-19. I would again like to record my thanks for your flexibility and hard work during this period.

Looking ahead

2. For the remainder of 2020-21, I look to SE to continue to make decisions that ensure the funds provided to it by Scottish Government are used to respond flexibly, creatively and with urgency to the economic crisis. In doing so, I ask that you focus on creating the conditions for a green, wellbeing economy, underpinned by sustainable and inclusive economic growth. And that you continue to meet your statutory obligations and achieve the outcomes set out in SE's Strategic Framework.

3. At the heart of these expectations is that SE operates as a highly effective public body focussed on improving outcomes, with particular emphasis on supporting those people, places and communities that have been adversely affected by the pandemic. I expect to see open and radical collaboration across a range of organisations, including business, private and public sector and communities to deliver the Place Principle.

Partnership working

4. I expect SE, Highlands and Islands Enterprise, South of Scotland Enterprise and Skills Development Scotland to continue to work together with Business Gateway to deliver an effective and aligned business support system. It is essential that duplication is avoided and that businesses are able to access an improved and streamlined service that supports both their recovery and their ability to adapt and shape our new economy.

5. Ensuring a recovery that is strong, green and fair will require looking beyond our borders for opportunities and collaboration. I expect SE to play an active role in pursuing opportunities for trade and investment, in accordance with the actions set out in A Trading Nation, our recently published Inward Investment Plan and the forthcoming Capital Investment Plan. It is essential that work continues to build international awareness of our capital investment proposition and market making, and that it aligns with the Scottish National Investment Bank's strategic missions, ensuring that we send a clear message that Scotland is a good place to do business.

6. I expect SE to work closely with other public sector and regional partners to support the ongoing recovery of the tourism sector, following the impact of the COVID-19 pandemic. Actions should focus on the Scottish Government's response to the Tourism Taskforce report and recommendations, set within the overall context of the tourism strategy launched in March 2020. Specifically, SE should work with VisitScotland, Highlands and Islands Enterprise and South of Scotland Enterprise to deliver a tourism recovery plan to retain local employment and realisation of the Scottish Government's ambition for Scotland to be a leading global destination for sustainable, low carbon tourism built on fair work principles.

7. Building on the collaborative and innovative efforts demonstrated in response to the COVID-19 pandemic, I expect close partnership working to continue in support of our commitment to establish a Scottish Health and Industry Partnership, maximising the role of Scottish business and industry in supplying the NHS and other organisations involved in delivering healthcare.

Inclusive Economic Growth

8. As set out in our Economic Recovery Implementation Plan, we are looking to SE to shift to a more regionally, place focussed model for economic development drawing on its national capacity and expertise. This will include working intensively with partners in three regional economies (Glasgow and Clyde, Ayrshire and the North East) to learn by doing and demonstrate the value of deeper and more regionally focussed collaboration. Community planning remains an important means through which SE can work with others to support the conditions for inclusive economic growth in local areas. Community wealth building is a means of delivering this.

9. In accordance with the Public Sector Equality Duty, I expect SE to play a key role in advancing equality of opportunity for those who experience exclusion - particularly younger people, women, disabled people and people from ethnic minorities. I want see evidence of this in your investment portfolio both as a factor in determining investments and as an outcome of investments. Equally, I wish to see an emphasis on the Fairer Scotland Duty, narrowing the gaps in outcomes which result from socio economic disadvantage and ensuring that investments create a fairer, more equal, Scotland.

Climate Change

10. I expect SE to play a key role in helping Scotland achieve its ambitious Climate Change targets and ensuring a green recovery from COVID-19 that delivers economic, social and environmental opportunities. I expect you to work with businesses to help them transition towards a net-zero economy and, in particular, to continue to support the development of zero emission heavy duty vehicles and buses, as set out in the Programme for Government.

Business Innovation

11. We have set ourselves ambitious targets for improving our innovation performance and SE plays a key role in helping us to achieve these targets. I expect you to work closely with the Scottish Government, the other enterprise agencies, universities, industry and delivery bodies as we co-ordinate and collaborate on innovation activities that will make a substantial contribution towards our objectives for inclusive economic growth and a green recovery.

Digital

12. I expect SE to place emphasis on the growth and development of both the demand and supply sides of Scotland's digital economy, with a particular focus on how digital developments can help aid future recovery and new ways of working.

Fair Work

13. Fair Work is central to achieving the Purpose and outcomes set out in the National Performance Framework, particularly with reference to our ambitions for sustainable and inclusive growth. It is at the heart of Scotland's economic recovery and the Scottish Government's ambition to move toward a wellbeing economy and to become a Fair Work Nation by 2025. I acknowledge SE's commitment as an early adopter of Fair Work First in 2019-20, and the range of business support grants to which this has been applied. I expect Fair Work First to continue to be applied to all relevant business support grants in order to drive fair work across the labour market. I also look to SE to explore opportunities for applying Fair Work First to appropriate procurements and to engage with Scottish Government's Procurement Directorate to learn from wider public sector procurement practice.

14. As set out in our response to the Enterprise and Skills Strategic Board sub-group, I ask that SE continues to progress the development and promotion of a Fair Work employer support tool to help employers to adopt fairer working practices, and to promote the Scottish Business Pledge. I also ask that you continue to contribute to development of a monitoring framework for measuring the impact of Fair Work First.

Conclusion

15. In conclusion, I hope that you will find this letter helpful in providing guidance for the remainder of 2020-21.

ANNEX B

SCOTTISH GOVERNMENT POLICIES WITH SPECIFIC RELEVANCE TO THE ENTERPRISE AGENCIES

Programme for Government

Published on 1 September 2020, the Scottish Government's Programme for Government sets out the Government's actions for the next year including the Bills that will be introduced to the Scottish Parliament.

Scotland's Economic Strategy

The twin pillars of boosting competitiveness and tackling inequality in Scotland's Economic Strategy, which was published in 2015, remain core to our economic approach, as does the focus on investment, internationalisation, innovation and inclusive growth in supporting business and continuing to grow Scotland's economy.

Economic Recovery Implementation Plan

The Scottish Government's response to the Advisory Group on Economic Recovery set out priorities and commitments for Scotland's recovery from the economic impacts caused by the COVID-19 crisis. The implementation plan focuses on measures that can be taken to ensure a sustainable and just economic recovery – restarting Scotland's economic activity and prosperity whilst restating the commitment to strategic objectives including a wellbeing economy, fair work principles and a just transition to a net zero economy.

Addressing the Labour Market Emergency

In July 2020 the Enterprise and Skills Strategic Board published its recommendations for mitigating the labour market impacts of the COVID-19 crisis. The Scottish Government set out its response in Addressing the Labour Market Emergency.

Economic Action Plan

The Economic Action Plan 2019-2020 is at the heart of what this Government is doing to deliver sustainable and inclusive economic growth. It is part of the commitment to deliver growth in a way that enhances the quality of life for all of our citizens and which is compatible with achieving net-zero emissions by 2045. Doing so will enable Scotland to create a distinct growth model that is equitable and sustainable from the outset.

National Performance Framework (NPF)

Introduced in 2007 and refreshed in 2011, 2016 and 2018, the NPF sets out in the Purpose and the National Outcomes, a clear, unified vision for Scotland and how our actions will improve the quality of life for the people of Scotland.

Transforming Public Services – Supporting Growth

The Community Empowerment (Scotland) Act 2015 includes provisions to strengthen community planning. The Act, places new statutory duties on Community Planning Partnerships (CPPs) and public sector bodies - including the enterprise agency for the CPPs in its region - to improve outcomes and reduce socio-economic disadvantage for local communities (including the business community) through effective partnership working.

Fairer Scotland Duty (Interim) Guidance
This guidance places a legal responsibility on particular public bodies in Scotland to actively consider how they can reduce inequalities of outcome caused by socioeconomic disadvantage. The final guidance will be developed with public bodies, grounded on experience of working on the Duty and reflecting the good practice that's already in place.

The Scottish Government has funded the Improvement Service to provide advice and training for public bodies on the new Duty going forward. If you would like to know more, please contact the Programme Manager, Transformation, Performance and Improvement at info@improvementservice.org.uk.

Scotland's international policy statement 2017
This policy statement builds on the four strategic objectives outlined in Scotland's International Framework.

Scottish Government's policy response to Brexit and subsequent analysis
The Scottish Government's policy response to Brexit and subsequent analysis is available at https://www.gov.scot/brexit/.

International Trade and Investment
A Trading Nation, published in May 2019, sets out the priority countries, sectors and businesses which the enterprise agencies should focus on and the actions which should be taken to increase Scotland's exports as a percentage of GDP and to reach our ambitious target of 25% by 2029.

The Inward Investment Plan (IIP), published in October 2020, sets out our ambition for Scotland as a leading destination for inward investment aligned with our values as a nation. The plan articulates the important role inward investment can play in Scotland's economic recovery by delivering high-value jobs to the economy.

There will be maintenance and expansion of the current capital investment portfolios of projects which includes the published Green Investment Portfolio. There will also be active engagement with developer and investor communities as well as planning and representing Scotland at major relevant international trade fairs such as MIPIM and EXPO Real.

Delivery against the capital investment attraction agenda will include the development of a Capital Investment Plan (CIP) and will set out the rationale and evidence for actions that position capital investment's key role in our economic recovery. It will also support our objective of delivering future ambitions around Net Zero, place making and in Scotland's key international opportunity areas.

Understanding the Scottish rural economy: research paper
This report outlines the Scottish Government's understanding of the Scottish rural economy and presents economic and social data.

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Fair Work First guidance will be published in the coming weeks and will be available at Fair Work First. The Fair Work policy team will update the enterprise agencies when the guidance is published.

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Scotland's Tourism Strategy and Tourism Taskforce Report
Scotland's tourism strategy, Scotland Outlook: 2030, was launched in March 2020. It reflects a collaborative and inclusive approach across agencies and the industry. The strategy represents a new approach putting our communities, our people, our visitors, our businesses and our environment at the heart of everything we do. This strategy remains the overall context for our support for the tourism industry. However, within this context, the Tourism Recovery Taskforce report, due to be published imminently, will set out recommendations for consideration by the Scottish and UK Governments to respond to the devastating impact of the COVID pandemic on the tourism sector.

Scotland's Themed Years
Themed Years have been running since 2009 as a way to celebrate a particular side to Scotland that deserves recognition. Following an industry consultation in 2016, Themed Years now take place biennially. In 2020 we are celebrating the Year of Scotland's Coasts and Waters, and in light of the impact of COVID-19 this Themed Year will be extended across 2021. The next Themed Year in plan will be Scotland's Stories in 2022.

Scotland's Social Enterprise Strategy and Action Plan
Scotland's Social Enterprise Strategy 2016-2026 and Action Plan outline collaborative work with the enterprise agencies, specifically actions 2B.2, 2B.3 and 2B.5.

New blueprint for Scotland's rural economy: recommendations to Scottish Ministers
The National Council of Rural Advisers report detailing their final recommendations to Scottish Ministers on Scotland's rural economy.

Rural Economy Action Group
The Rural Economy Action Group, one of the NCRA's recommendations, will guide how Scottish Ministers drive forward recommendations of a report by the National Council of Rural Advisers (NCRA).

Creative Industries Policy Statement
Recognising the value of the creative economy to place, inclusive growth, well-being and Scotland's international profile, the enterprise agencies are expected to work constructively with Creative Scotland and other partners to realise the vision and priorities in our Policy Statement for the Creative Industries.

Screen Scotland
The enterprise agencies are expected to play a full part in Screen Scotland's governance and contribute actively to the work to fulfil our shared ambition of stronger collaborative working and effective delivery of public sector resources to drive inclusive growth and sustainability in Scotland's film and television sectors.

Scottish Growth Scheme
The enterprise agencies' contribution to the delivery of the Scottish Growth Scheme is extremely important, not just in securing success for the aspects that SE directly has responsibility but ensuring that the wider services available under the Scottish Growth Scheme are readily promoted to potential eligible businesses, working in partnership with the appointed Fund Managers.

Ambition 2030 Food & Drink Industry Strategy
The strategy, which was launched in 2017, sets out targets, supported by the industry and public sector alike, to grow the value of the sector to £30bn by 2030. The new phase of delivery, taking account of Brexit and COVID-19 on which we are working in partnership with the Food & Drink Industry, will be launched as an initial sectoral recovery plan (to be published late 2020). The plan seeks to bolster and accelerate the current core work of the Scotland Food & Drink Partnership in delivering Ambition 2030 and will allow for more resilience to be built into the sector, as well as representing an opportunity for renewal. We expect the enterprise agencies and SDI to play an enhanced role in supporting the growth and resilience of businesses in the food and drink sector as part of this work, including sustaining and enhancing investment for bespoke programmes and projects.

Life Sciences Strategy for Scotland 2025 Vision
The Strategy was published in February 2017. Its vision is to make Scotland the location of choice for the life sciences community and its mission is to increase the industry's contribution to the Scottish Economy to £8bn by 2025. All agencies will have a continued important role working in collaboration with industry, NHS, Government and academia to deliver the key recovery actions for the sector with a clear focus on growth opportunities and continued support of the Life Sciences Industry Leadership Group, Life Sciences Scotland, to develop and deliver the Strategy. The importance of the sector COVID-19 response was highlighted by Minister for Trade, Investment and Innovation during the Parliamentary Statement and in the accompanying publication in August 2020.

Women in enterprise: framework and action plan
The 2017 Women in enterprise: framework and action plan seeks to realise untapped economic potential by tackling the gender gap across start-ups and growth companies. The Scottish Government is committed to bringing forward a model to deliver future gender-aware and gender-specific policies and interventions regardless of location or stage on their entrepreneurial journey. This will follow a robust, evidence based approach. Enterprise agencies' support will be central to delivering a new model of support for women in enterprise in Scotland.

Clyde Mission
The purpose of the Clyde Mission is to make the Clyde an engine of sustainable and inclusive growth for the city, the region and Scotland. The Mission brings together public and private sector partners, including Scottish Enterprise, to harness the opportunities and competitive advantage of the River Clyde and the surrounding assets to deliver economic, social and environmental benefits.

United Nations Convention on the Rights of the Child (UNCRC) Incorporation
On 1 September 2020 the United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Bill was introduced to the Scottish Parliament. The Bill will ensure that there is a proactive culture of everyday accountability for children's rights across public services in Scotland. The Bill will mean that children, young people and their families will experience public authorities consistently acting to uphold the rights of all children in Scotland.

Part 1 of the Children and Young People (Scotland) Act 2014 places a duty on Ministers to keep under consideration steps which would or might secure better or further effect the UNCRC, raise awareness of children's rights, and report to Parliament every 3 years on relevant progress and plans for the next 3 year period. The first Report and Action Plan were laid before Parliament in December 2018. A report on progress made in taking forward the Action Plan was published in November 2019.

Young Workforce
The enterprise agencies have a vital role to play in working with the Scottish Government to implement its youth employment strategy, Developing the Young Workforce, for example, by recruiting and training young people, working towards achieving the Investors in Young People gold standard and engaging with the education system to provide development opportunities for young people. Although through implementation of procurement policies that encourage more employers to contribute to the development of Scotland's young people.

Low Carbon sector and combating climate change
Our public bodies are at the frontline of Scotland's climate emergency response. We are committed to working closely with local government and the wider public sector to facilitate high ambition in tackling the global climate emergency. We look to all public bodies to help realise the significant opportunity for growing the **low carbon sector** both through leadership and directly through reduction of energy demand and integration of low carbon and renewable heat and energy technologies across estates.

More generally, we expect our public bodies to lead by example in **combating the climate emergency** and making a valuable contribution towards achieving our ambitious emissions reduction targets of 75% by 2030 and net zero emissions nationally by 2045.

2020/2021 will mark the sixth year of mandatory reporting from 180 listed public bodies on compliance with climate change duties. The mandatory reports for 2020/2021 are due to be submitted to the Scottish Government by 30 Nov 2021. Public Bodies climate change reporting duties requirement under sections 46 of the Climate Change (Scotland) Act 2009.

DOC 11

Deputy First Minister and Cabinet Secretary for Education and Skills
Cabinet Secretary for the Economy, Fair Work and Culture
Cabinet Secretary for the Rural Economy and Tourism
Minister for Further Education, Higher Education and Science

T: 0300 244 4000
E: scottish.ministers@gov.scot

By Email.

22 April 2020

Dear Enterprise and Skills Agency Chairs

INTERIM LETTER OF GUIDANCE TO ENTERPRISE AND SKILLS AGENCIES

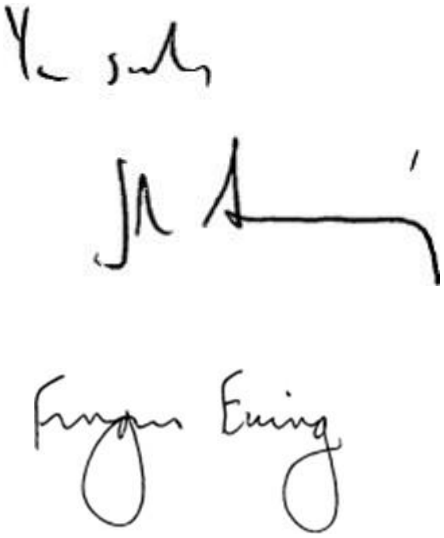
1. These are extraordinary times. Many of the challenges we faced just a few weeks ago have been overtaken by COVID-19. It is impacting on all aspects of our lives and there is disruption right across the economy. This is an unimaginably difficult time for organisations large and small, for employers and employees, for staff and students, and collectively we must do everything we can to help.

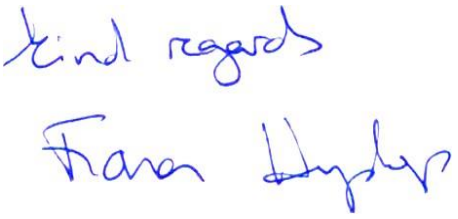
2. The importance of supporting those at risk of losing their jobs, retaining people in work, and providing the skills our businesses and economy needs, has never been greater. As one of the Enterprise and Skills agencies you are central to allowing us to help those in the country who require it most and, in time, planning for the recovery phase that will follow.

3. This means that all but the most critical 'business as usual' activity must be re-evaluated and halted, unless it is clearly making a contribution to the challenge of COVID-19. Your focus, moving forward, must move to meeting the emerging fiscal, economic and social challenge of COVID-19. We look to you to ensure that you reprioritise; continue to be flexible, to be responsive and to work collaboratively where possible. This will ensure that, whatever happens going forward, individuals and businesses are able to access the support they may need.

4. In light of this, we have decided to delay issuing the Strategic Letters of Guidance to all Enterprise and Skills agencies until later in 2020. This is in recognition that priorities will change and to allow the agencies to be able to be as responsive as possible to current events. We recognise that you will continue to deliver contracted commitments, and confirm that appropriate governance arrangements should continue to be followed at all times. You should work closely with your Sponsor Team to ensure that this is the case.

5. Finally, the partnership working across organisations has been exemplary and is allowing us all to respond in innovative ways to unprecedented challenges. We would like to take this opportunity to thank you and all your staff for the significant contribution you and your organisations have made, and continue to make, in supporting our response to the COVID-19 pandemic.





John Swinney, Deputy First Minister and Cabinet Secretary for Education and Skills
Fiona Hyslop, Cabinet Secretary for the Economy, Fair Work and Culture
Fergus Ewing, Cabinet Secretary for the Rural Economy and Tourism
Richard Lochhead, Minister for Further Education, Higher Education and Science

DOC 12

Cabinet Secretary for Rural Economy and Tourism
Fergus Ewing MSP

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Professor Russel Griggs By
email

23 March 2021

Dear Russel,

SOUTH OF SCOTLAND ENTERPRISE – 2021-22 INTERIM LETTER OF GUIDANCE

Last year, we issued two letters of guidance. An interim letter of guidance in April 2020 asked South of Scotland Enterprise (SOSE) to stop all but the most critical 'business as usual' activity, re-prioritise and work collaboratively to meet the immediate challenges of the Covid- 19 pandemic. More detailed guidance in December 2020 pointed to work being taken forward by SOSE to support the economic recovery, in line with the commitments in the 2020 Programme for Government.

Unfortunately, the sharp deterioration in the pandemic towards the end of 2020 made it necessary for the Scottish Government to impose new restrictions. SOSE was again asked to re-direct resource to help provide vital support for individuals, communities and businesses. I am very grateful to you and your staff for the arrangements you made to deliver support, at short notice, across your region.

As we enter the new financial year and begin a phased approach to easing restrictions, there remains a strong focus on business and community resilience. I am therefore proposing to take a similar approach to last year. This interim letter of guidance recognises the need for SOSE to continue to be responsive in the face of changing circumstances, whilst highlighting priority areas of work for the short to medium term. I propose that further, more detailed guidance is issued later in 2021.

Economic recovery

The 2020 Programme for Government underlined the need for our recovery from Covid-19 to be led by green growth and to also promote fairness and wellbeing. It committed to: a national mission to create new jobs, good jobs and green jobs, with a particular focus on young people; promoting lifelong health and wellbeing; and advancing equality and helping our young people grasp their potential.

As the Cabinet Secretary for Finance and Cabinet Secretary for Economy, Fair Work and Culture made clear in their joint letter of 17 December 2020 to Chief Officers of all public bodies, it is critical that Fair Work is part of our ongoing response to the pandemic and a central element of our economic recovery. I look to SOSE to continue its progress in adopting Fair Work First, both as an employer and through attaching Fair Work First criteria to its grants, procurements and other funding.

Our vision of Scotland as a vibrant, inclusive, greener, open and outward-looking digital nation is now even more compelling as the pandemic has accelerated the impact of technology on our economy and our society. I welcome SOSE's support for our new digital strategy, which includes actions to ensure that Scottish businesses embrace the opportunities of digital technology.

Of course, many businesses are experiencing the dual impacts of Covid-19 and economic uncertainty caused by the UK's exit from the EU. As the practical implications and challenges of the post-Brexit trading environment become clearer, I look to SOSE to continue to work closely with partners to provide advice and support to businesses to help them adapt, maintain competitiveness and take advantage of new opportunities.

Operational priorities

Within this context, I welcome SOSE's focus on supporting the economic recovery, continuing to develop its offer for communities and businesses, driving change and influencing others, and building its capacity as an organisation. Engaging with partners and stakeholders will be an important part of delivery and I am encouraged by SOSE's openness to working closely with local partners and the other enterprise and skills agencies to shape our economic recovery and respond to the labour market challenges. I recognise SOSE's ongoing collaborative work with the Business Support Partnership to support the development and delivery of an enhanced universal service offer.

I look to SOSE to continue to support the aims of the Enterprise and Skills Strategic Board by working collaboratively with the Board, other agencies and the Scottish Government in support of its forward-looking priorities. I know that you will continue to participate in the Board's mission review and refresh of its Strategic Plan later in 2021. I welcome SOSE's recent engagement with Scottish Enterprise on development and implementation of the National Programmes and your contribution to ensuring that these programmes fully reflect the needs of the South of Scotland and the potential opportunities.

Supply chain development

Improving the capacity, capability and resilience of Scottish supply chains is key to economic recovery and to supporting the national mission to create jobs. I look to SOSE to contribute to development of the Supply Chain Development Programme and in doing so, ensure that work to analyse existing supply chains, build better and more strategic supply chains and leverage Scotland's public sector procurement takes full account of the gaps and opportunities in the South of Scotland.

Regional delivery

I acknowledge the key role you are playing in supporting the implementation of the Borderlands Growth Deal and development of the South of Scotland Regional Economic Partnership.

The significant investments we are making through the Borderlands Deal on themes like Quality of Place, Tourism, Innovation, Infrastructure and Connectivity aim to maximise the region's economic potential and it is vital that our efforts and resources in the region align well to maximise the collective benefits and impacts achieved. I look to SOSE to play a leading role in working with Scottish Government officials and local authorities to shape, appraise and improve the Borderlands proposals and to support their effective delivery through active participation in the regional governance structures for the deal, sharing your knowledge and expertise.

In developing a Regional Economic Strategy for the South of Scotland, I expect a collective, ambitious and compelling vision, co-ordinating national, regional and local resources effectively to deliver actions that will create opportunities for all. I am keen for SOSE to support the Regional Economic Partnership's work and to continue working as part of the Convention of the South of Scotland to ensure these activities deliver tangible benefits for the region's economy and its people.

Climate change and COP26

As you are aware, the United Nations climate summit COP26 takes place in Glasgow in November 2021. I look to SOSE to support "Team Scotland" delivery of Scottish Ministers' objectives for COP26, including: mobilising businesses to go further and faster to net zero emissions; supporting growth opportunities through investment and exports; showcasing private sector leadership on climate change; and supporting communications around the summit.

Given the global climate emergency, I look to SOSE to play a key role in the national endeavour to achieve net zero emissions by 2045, by:

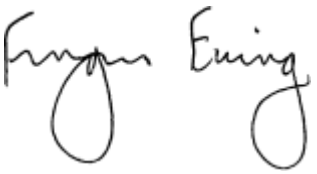
- aligning your investments and programmes with the priorities of the updated Climate Change Plan to support a green recovery and a just transition to net zero;
- engaging the private sector to encourage them to take action towards a just transition, including transition planning, a commitment to partnership working, placing equity and environmental considerations at the heart of decision making and supporting good, green jobs and sustainable procurement;
- helping to develop case studies to showcase action; and
- accelerating your own action to become a net zero organisation.

I look to SOSE to proactively support the joint work required to ensure the Green Jobs Fund successfully contributes to our green recovery, maintaining jobs and creating new businesses and jobs.

Conclusion

I am aware that you are in the process of finalising your operating plan for 2021-22. I hope the guidance set out in this letter is helpful in informing your business planning for the coming year as we strive to deliver a more prosperous, inclusive and greener Scotland.

Yours sincerely,



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DOC 13

Cabinet Secretary for Economy, Fair Work and Culture
Fiona Hyslop MSP

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Lord Smith of Kelvin
By email

23 March 2021

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Dear Lord Smith

SCOTTISH ENTERPRISE – 2021-22 INTERIM LETTER OF GUIDANCE

Last year, we issued two letters of guidance. An interim letter of guidance in April 2020 asked Scottish Enterprise to stop all but the most critical 'business as usual' activity, re- prioritise and work collaboratively to meet the immediate challenges of the Covid-19 pandemic. More detailed guidance in December 2020 pointed to work being taken forward by Scottish Enterprise to support the economic recovery, in line with the commitments in the 2020 Programme for Government.

Unfortunately, the sharp deterioration in the pandemic towards the end of 2020 made it necessary for the Scottish Government to impose new restrictions. Scottish Enterprise was again asked to re-direct resource to help provide vital support for individuals, communities and businesses. I am very grateful to you and your staff for the arrangements you made to deliver support, at short notice.

As we enter the new financial year and begin a phased approach to easing restrictions, there remains a strong focus on business and community resilience. I am therefore proposing to take a similar approach to last year. This interim letter of guidance recognises the need for Scottish Enterprise to continue to be responsive in the face of changing circumstances, whilst highlighting priority areas of work for the short to medium term. I propose that further, more detailed guidance is issued later in 2021.

Economic recovery

The 2020 Programme for Government underlined the need for our recovery from Covid-19 to be led by green growth and to also promote fairness and wellbeing. It committed to: a national mission to create new jobs, good jobs and green jobs, with a particular focus on young people; promoting lifelong health and wellbeing; and advancing equality and helping our young people grasp their potential.

As the Cabinet Secretary for Finance and I made clear in our joint letter of 17 December 2020 to Chief Officers of all public bodies, it is critical that Fair Work is part of our ongoing response to the pandemic and a central element of our economic recovery. I look to Scottish Enterprise to continue its progress in adopting Fair Work First, both as an employer and through attaching Fair Work First criteria to its grants, procurements and other funding.

Our vision of Scotland as a vibrant, inclusive, greener, open and outward-looking digital nation is now even more compelling as the pandemic has accelerated the impact of technology on our economy and our society. I welcome Scottish Enterprise's support for our new digital strategy, which includes actions to ensure that Scottish businesses embrace the opportunities of digital technology.

Of course, many businesses are experiencing the dual impacts of Covid-19 and economic uncertainty caused by the UK's exit from the EU. As the practical implications and challenges of the post-Brexit trading environment become clearer, I look to Scottish Enterprise to continue to work closely with partners to provide advice and support to businesses to help them adapt, maintain competitiveness and take advantage of new opportunities.

It is essential that Scottish Enterprise continues to work closely with local partners and the other enterprise and skills agencies to shape our economic recovery and respond to the labour market challenges. I look to Scottish Enterprise to continue to support the aims of the Enterprise and Skills Strategic Board by working collaboratively with the Board, other agencies and the Scottish Government in support of its forward-looking priorities. I know that you will continue to participate in the Board's mission review and refresh of its Strategic Plan later in 2021.

National Programmes

Within this context, I welcome Scottish Enterprise's focus on future economic opportunities relating to Climate, Digital & Data, Health & Care and Advanced Manufacturing and the seven supporting National Programmes that were developed last year in partnership with the Scottish Government. I recognise the important role these will play in delivering Scotland's ambition for a sustainable recovery and encourage you to continue the work you are doing to align these programmes with the inward investment plan, the trading nation priorities, the capital investment plan and place making strategies. This approach will help realise significant opportunities that will deliver sustainable economic benefits, including jobs to Scotland.

Engaging with partners and stakeholders will be an important part of delivery and I am encouraged by the approach Scottish Enterprise is taking to secure wider agreement to further the development and implementation of the National Programmes.

Early stage support

I welcome Scottish Enterprise's continued focus on supporting a dynamic, ambitious and diverse entrepreneurial community and providing investment into ambitious, early stage companies from start to scale up, creating a pipeline of growth opportunities. I look to Scottish Enterprise to work collaboratively with the Scottish National Investment Bank to ensure a joined up approach to Scotland's investment activities.

Supply chain development

Improving the capacity, capability and resilience of Scottish supply chains is key to economic recovery and to supporting the national mission to create jobs. I look to Scottish Enterprise to support work being taken forward by the Supply Chains Development Programme to analyse existing supply chains, build better and more strategic supply chains and assist in identifying opportunities for leverage of Scotland's £12 billion annual public sector procurement spend.

Manufacturing Action Plan

I look to Scottish Enterprise to continue to play an active role in delivering Making Scotland's Future: A Recovery Plan for Manufacturing and other elements of the wider programme on which it is based, working in partnership with industry, academia and the public sector to support the manufacturing sector's recovery over the next twelve months.

Regional delivery

I acknowledge the role Scottish Enterprise continues to play in Regional Economic Partnerships, working with partners to share data, knowledge and insights that inform the development and delivery of regional strategies. This work is critical to ensuring that Scotland's regions can maximise their contribution to, and benefit from, the National Programmes and Inward Investment priorities.

I welcome Scottish Enterprise's commitment to undertake deeper engagement and intensive working with an initial three regions – Glasgow & Clyde, Ayrshire and North East Scotland – investing alongside partners in projects that will help drive recovery in these regions, and working with partners to assess where additional or tailored support or services can make a positive impact.

International

Within the context of the Scottish Government's Trade Vision, it is important that Scottish Enterprise continues to drive work to increase Scotland's exports and deliver the actions set out in our recently launched inward investment and capital investment plans. These are key elements of a thriving, global economy.

Climate change and COP26

As you are aware, the United Nations climate summit COP26 takes place in Glasgow in November 2021. I look to Scottish Enterprise to support "Team Scotland" delivery of Scottish Ministers' objectives for COP26, including: mobilising businesses to go further and faster to net zero emissions; supporting growth opportunities through investment and exports; showcasing private sector leadership on climate change; and supporting communications around the summit.

Given the global climate emergency, I look to Scottish Enterprise to play a key role in the national endeavour to achieve net zero emissions by 2045, by:

- aligning your investments and programmes with the priorities of the updated Climate Change Plan to support a green recovery and a just transition to net zero;
- engaging the private sector to encourage them to take action towards a just transition, including transition planning, a commitment to partnership working, placing equity and

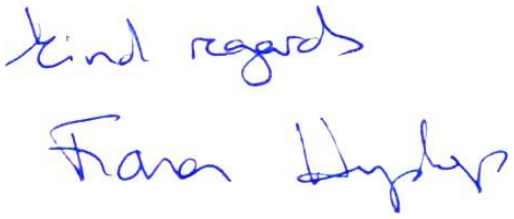
environmental considerations at the heart of decision making and supporting good, green jobs and sustainable procurement;

- helping to develop case studies to showcase action; and
- accelerating your own action to become a net zero organisation.

I look to Scottish Enterprise to proactively support the joint work required to ensure the Green Jobs Fund successfully contributes to our green recovery, maintaining jobs and creating new businesses and jobs.

Conclusion

I am aware that you are in the process of finalising your business plan for 2021-22. I hope the guidance set out in this letter is helpful in informing your business planning for the coming year as we strive to deliver a more prosperous, inclusive and greener Scotland.



FIONA HYSLOP

DOC 14

Cabinet Secretary for Rural Economy and Tourism
Fergus Ewing MSP

T: 0300 244 4000
E: scottish.ministers@scotland.gsi.gov.uk

Alistair Dodds
By email

23 March 2021

Dear Alistair,

HIGHLANDS AND ISLANDS ENTERPRISE – 2021-22 INTERIM LETTER OF GUIDANCE

Last year, we issued two letters of guidance. An interim letter of guidance in April 2020 asked Highlands and Islands Enterprise (HIE) to stop all but the most critical 'business as usual' activity, re-prioritise and work collaboratively to meet the immediate challenges of the Covid- 19 pandemic. More detailed guidance in December 2020 pointed to work being taken forward by HIE to support the economic recovery, in line with the commitments in the 2020 Programme for Government.

Unfortunately, the sharp deterioration in the pandemic towards the end of 2020 made it necessary for the Scottish Government to impose new restrictions. HIE was again asked to re-direct resource to help provide vital support for individuals, communities and businesses. I am very grateful to you and your staff for the arrangements you made to deliver support, at short notice, across your region.

As we enter the new financial year and begin a phased approach to easing restrictions, there remains a strong focus on business and community resilience. I am therefore proposing to take a similar approach to last year. This interim letter of guidance recognises the need for HIE to continue to be responsive in the face of changing circumstances, whilst highlighting priority areas of work for the short to medium term. I propose that further, more detailed guidance is issued later in 2021.

Economic recovery

The 2020 Programme for Government underlined the need for our recovery from Covid-19 to be led by green growth and to also promote fairness and wellbeing. It committed to: a national mission to create new jobs, good jobs and green jobs, with a particular focus on young people; promoting lifelong health and wellbeing; and advancing equality and helping our young people grasp their potential.

As the Cabinet Secretary for Finance and Cabinet Secretary for Economy, Fair Work and Culture made clear in their joint letter of 17 December 2020 to Chief Officers of all public bodies, it is critical that Fair Work is part of our ongoing response to the pandemic and a central element of our economic recovery. I look to HIE to continue its progress in adopting Fair Work First, both as an employer and through attaching Fair Work First criteria to its grants, procurements and other funding.

Our vision of Scotland as a vibrant, inclusive, greener, open and outward-looking digital nation is now even more compelling as the pandemic has accelerated the impact of technology on our economy and our society. I welcome HIE's support for our new digital strategy, which includes actions to ensure that Scottish businesses embrace the opportunities of digital technology. I recognise the work that you have done to create a refreshed and enhanced digital journey for your customers on "MyHIE". And I welcome your close collaboration with the Scottish Government Digital Directorate on data sharing and data analysis.

Of course, many businesses are experiencing the dual impacts of Covid-19 and economic uncertainty caused by the UK's exit from the EU. As the practical implications and challenges of the post-Brexit trading environment become clearer, I look to HIE to continue to work closely with partners to provide advice and support to businesses to help them adapt, maintain competitiveness and take advantage of new opportunities.

Operational priorities

I know that for the first part of 2021-22, HIE's focus will continue to be on protecting jobs, working with regional partners to develop assets and support businesses and communities, in order to ensure that the region's recovery from Covid-19 is a green recovery and one which increases inclusive growth and wellbeing.

Looking ahead, I welcome the work already underway to develop your policies, priorities, actions and investments around the key themes of: net zero and green jobs; supporting and developing communities, notably the work around community assets and the Scottish Land Fund; Fair Work and how to further mainstream business and community benefits; the blue economy, particularly around the region's natural resources for wave, tidal and offshore wind energy; and improving productivity. Supporting communities and businesses to adapt and thrive in the changed circumstances arising from Covid-19 and Brexit will be critical.

Engaging with partners and stakeholders will be an important part of delivery and I am encouraged by HIE's openness to working closely with local partners and the other enterprise and skills agencies to shape our economic recovery and respond to the labour market challenges. I recognise HIE's ongoing collaborative work with the Business Support Partnership to support the development and delivery of an enhanced universal service offer.

I look to HIE to continue to support the aims of the Enterprise and Skills Strategic Board by working collaboratively with the Board, other agencies and the Scottish Government in

support of its forward-looking priorities. I know that you will continue to participate in the Board's mission review and refresh of its Strategic Plan later in 2021.

I welcome HIE's recent engagement with Scottish Enterprise on development and implementation of the National Programmes and your contribution to ensuring that these programmes fully reflect the needs of the Highlands and Islands and the potential opportunities. I know, for example, that HIE has a particular focus on developing the region's global strengths around hydrogen. I also welcome HIE's continuing work to deliver the national Scottish Land Fund programme across Scotland.

Supply chain development

Improving the capacity, capability and resilience of Scottish supply chains is key to economic recovery and to supporting the national mission to create jobs. I look to HIE to contribute to development of the Supply Chain Development Programme and in doing so, ensure that work to analyse existing supply chains, build better and more strategic supply chains and leverage Scotland's public sector procurement takes full account of the gaps and opportunities in the Highlands and Islands.

Regional delivery

I acknowledge the role HIE continues to play in supporting the implementation of growth deals and development of associated economic partnerships or cross authority collaborations, such as the Convention of the Highlands and Islands. I expect you to continue to support these local authority-led partnerships and to use their growth deal programmes as a catalyst for realising longer term ambitions to renew and grow regional economies by encouraging business growth and protecting and creating high quality jobs.

It is vital that our efforts and resources in the region align well to maximise the collective benefits and impacts achieved, including harnessing the expertise of businesses. I look to HIE to bring the full weight of your regional knowledge, expertise and connections to bear to make the deal programmes as successful as possible.

Addressing population decline

I look to HIE to build on the range of important contributions it has made on population issues, both at the national and regional level through the Scottish Government and the Convention of the Highlands and Islands (CoHI). It is crucial that HIE's insights continue to shape and support our collective efforts to support sustainable populations across Scotland.

This includes work being undertaken through CoHI to explore cross-cutting solutions capable of addressing the acute demographic challenges felt across many local communities, including population decline and ageing. The cross-cutting insight and regional perspective that HIE brings – on public services, economy, jobs, infrastructure and beyond – will be a vital asset as we seek to build strategic partnerships and achieve our long-term goals on population.

Climate change and COP26

As you are aware, the United Nations climate summit COP26 takes place in Glasgow in November 2021. I look to HIE to support "Team Scotland" delivery of Scottish Ministers' objectives for COP26, including: mobilising businesses to go further and faster to net zero emissions; supporting growth opportunities through investment and exports; showcasing private sector leadership on climate change; and supporting communications around the summit.

Given the global climate emergency, I look to HIE to play a key role in the national endeavour to achieve net zero emissions by 2045, by:

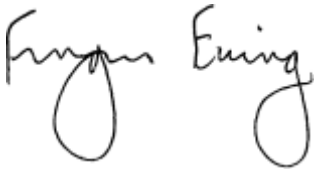
- aligning your investments and programmes with the priorities of the updated Climate Change Plan to support a green recovery and a just transition to net zero;
- engaging the private sector to encourage them to take action towards a just transition, including transition planning, a commitment to partnership working, placing equity and environmental considerations at the heart of decision making and supporting good, green jobs and sustainable procurement;
- helping to develop case studies to showcase action; and
- accelerating your own action to become a net zero organisation.

I look to HIE to proactively support the joint work required to ensure the Green Jobs Fund successfully contributes to our green recovery, maintaining jobs and creating new businesses and jobs.

Conclusion

I am aware that you are in the process of finalising your operating plan for 2021-22. I hope the guidance set out in this letter is helpful in informing your business planning for the coming year as we strive to deliver a more prosperous, inclusive and greener Scotland.

Yours sincerely,



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DOC 15

Cabinet Secretary for Wellbeing Economy, Fair Work and Energy
Rùnaire a' Chaibineit airson Eaconamaidh do Mhath Dhaoine, Obair Chothromach is Cumhachd
Neil Gray MSP Niall Gray BPA

T: 0300 244 4000

Alistair Dodds
Chair, Highlands and Islands Enterprise
Email: alistair.dodds@hient.co.uk

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16 October 2023

Dear Alistair,

HIGHLANDS AND ISLANDS ENTERPRISE - 2023-24 STRATEGIC GUIDANCE

In our strategic direction to Highlands and Islands Enterprise (HIE) for 2022-23, we emphasised the role of the agency in delivering the National Strategy for Economic Transformation (NSET). I am grateful for the way in which you responded by realigning your activity to help drive the implementation of the strategy.

In April this year, we published our policy prospectus: 'New Leadership - A Fresh Start' which reaffirmed our commitment to delivering a wellbeing economy by focusing on the priorities set out in NSET. This set out 3 critical and interdependent missions:

- tackling poverty and protecting people from harm - continuing to tackle poverty in all its forms to improve the life chances of people across Scotland;
- a fair, green and growing economy - delivering a wellbeing economy through harnessing the skills and ingenuity of our people and seizing the economic and social opportunities from meeting our net zero targets; and
- prioritising our public services - creating, investing in, and maintaining sustainable public services, to ensure the people of Scotland can access modern, effective, and timely services when they need to.

This year's Programme for Government, which builds on the policy prospectus, set out how we will put the three missions into action, including through the development of a Green Industrial Strategy.

HIE has a vital role to play in helping us to deliver the missions because it is by creating jobs and increasing our tax take that we are able to tackle poverty and make the investment required to improve our public services.

HIE also makes a vital contribution through its work with communities across the region, where its place-based activities are transformative in tackling inequalities.

Over the coming years, the public sector must work together to provide the targeted economic stimulus and support for businesses needed to deliver our economic ambitions. This will require a programme of reform to improve the way that we support businesses, increase investment and realise economic opportunities in every region of the country. We must also look internationally, to attract the international investment needed to support our economic ambitions and grow our export potential. I know that this will mean difficult choices around prioritisation, and I encourage HIE to be as innovative as possible. I look to HIE to work with Scottish Government, Local Government and other partners to help shape how we deliver our collective approach to economic development.

Engagement with business, social enterprises, communities and other organisations on this programme of reform will be critical. I expect HIE to play a decisive role in delivering the recommendations made by the New Deal for Business Group. Likewise, the First Minister's Investor Panel will shortly publish recommendations about how the public sector in Scotland can take steps to improve Scotland's performance in attracting mobile capital investment. I expect HIE to play a role in implementing the response to these recommendations.

At an organisational level, I know that HIE consulted widely on development of your new five-year strategy. I fully support HIE's refreshed vision for the Highlands and Islands as a leading net zero region with a dynamic wellbeing economy. And the focus you are intending to bring on: developing an entrepreneurial culture and mindset; increasing business productivity and innovation; embracing the huge opportunities the transition to net zero offers the region; and building community capacity. I also recognise the role that HIE will play in growing a skilled workforce to support emerging sectors, whilst continuing to help more traditional sectors to evolve and continue to play an important part in the region's economy.

Within this context, I ask that HIE focuses on delivery of the following outcomes:

1. work with the Regional Economic Partnership to deliver a vision and action plan for the Highlands and Islands region which incorporates the City and Region Deals, and support work to drive up greater levels of regional empowerment and growth by delivering on the ambitions of the Regional Economic Policy Review;

2. work with public sector partners, communities, the third sector and private sector investors to support the creation and scaling of high growth businesses and social enterprises, to help establish Scotland as a global hub for start-up founders and investors;

3. support the creation and growth of key business clusters, as outlined in the Scottish Government's Innovation Strategy, in areas of importance to the regional economy, including renewables, life sciences and advanced manufacturing (including space);

4. play an active part in the design of a new National Productivity Programme to support more SMEs and social enterprises to innovate to increase their productivity;

5. work with and contribute to the work of the Scottish Government's Investment Strategy and Delivery Unit to help drive forward the recommendations from the First Minister's Investor Panel;

6. work with public sector partners to deliver a focused role in the regional delivery of the priorities set out in the draft and final Energy Strategy and Just Transition Plan, with particular emphasis on maximising the economic, investment, supply chain, manufacturing and employment opportunities of the energy production and decarbonisation sectors;

7. working closely with Scottish Government, play a key role in the development and delivery of a Green Industrial Strategy setting out how the Scottish Government intends to help businesses and investors realise the enormous domestic and international economic opportunities of the global transition to net zero and of creating good, well-paid jobs. In this, you should draw on HIE's knowledge of markets and businesses to develop, with the Scottish Government, a shared understanding of priorities and key policy interventions for the region;

8. continue to encourage the businesses you support to baseline both their carbon emissions and climate risk/resilience, and work with them to embed a strong focus on sustainability within their strategy/operations;

9. working with Scottish Development International, support the approach and focus outlined in A Trading Nation and the Inward Investment Plan in order to drive sustained growth in international exports while diversifying into new markets and strengthening efforts to bring more higher-quality inward investment into Scotland;

10. support the delivery of the Inverness and Cromarty Green Freeport and work with partners to realise the benefits;

11. in addition to supporting the development of inclusive business models, continue to engage in and promote local and regional Community Wealth Building initiatives, and explore how, as an 'anchor organisation', you can use your economic levers such as spend, employment and land and assets, to maximise benefits for the economy, local communities and the environment;

12. ensure that, in line with SG guidance, recipients of grants awarded by HIE pay at least the real Living Wage and provide appropriate channels for effective workers' voice, and continue to provide feedback on implementation of the new grant conditionality requirements;

13. contribute to the development and delivery of the Rural Delivery Plan, which will set out how all parts of the Scottish Government are delivering for Scotland's rural, coastal, and island communities;

14. continue to work with partners to ensure rapid progress on the development of the Master Customer Record, and play a full and active part in the programme of work to develop a common digital offer for business. This work will be delivered through the Business Support Partnership, which will require a resource commitment from all partners.

I look forward to discussing these areas of work with you in our regular meetings and to hearing your feedback on progress at the close of the financial year.

Yours sincerely,

NEIL GRAY

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Rùnaire a' Chaibineit airson Ionmhas agus na h-Eaconamaidh
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Alistair Dodds
Chair, Highlands and Islands Enterprise By email: alistair.dodds@hient.co.uk

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30 May 2022

Dear Alistair

HIGHLANDS AND ISLANDS ENTERPRISE - 2022-23 STRATEGIC DIRECTION

I am writing to set out my expectations of Highlands and Islands Enterprise (HIE) for 2022-23. In doing so, I wish to express my gratitude for the way in which HIE responded during 2021-22 to the ongoing challenges presented by the pandemic.

As you know, we published our National Strategy for Economic Transformation (NSET) on 1 March 2022, setting out our vision for strengthening the Scottish economy and ensuring that the benefits of success are shared by all. I would expect that both your strategy and annual operating plan will focus effort and resources on delivering the actions and benefits of that strategy. In particular, I expect you to work with partners to:

1. Be entrepreneurial, support entrepreneurs and the development of an entrepreneurial mindset across the country in order to:

- increase the total number of successful new businesses created in Scotland, with a particular focus on supporting more women and other under-represented groups into entrepreneurship;
- increase the percentage of Scottish start-ups and existing mid-sized businesses that grow to scale;
- support alternative business models such as cooperatives, social enterprises and community-owned businesses;
- attract international entrepreneurs to Scotland; and
- build strategic partnerships with key entrepreneurial ecosystems in other countries.

2. Strengthen Scotland's position in new markets and industries and help build successful businesses in areas where our human and natural capital and technology and research capabilities provide the basis of global competitive advantage. This will require focused action by you to:

- support innovation and business R&D in key industries and sectors with the greatest economic opportunity;
- shape and deliver the benefits of the forthcoming Innovation Strategy;
- promote strategic clusters to attract inward investment and strengthen local supply chains; and
- drive work to increase Scotland's exports.

3. Address the longstanding productivity gap in Scotland by supporting businesses to transform their business models through the application of data and digital technology, and focussing support on improving the productivity of businesses operating in internationally tradeable sectors.

A key part of this is ensuring that every region in Scotland benefits from, and contributes to, a more productive and innovative economy and that the economic opportunities for communities are maximised. This will require action to:

- tailor interventions to evidenced regional strengths and opportunities and continue to strengthen collaboration through the Regional Economic Partnership; and
- maximise economic opportunities for communities by ensuring that investment creates new employment opportunities, helps local businesses to expand and places more assets in the hands of local people and communities.

4. Enable Scottish businesses to plan for, and realise the opportunities associated with a just transition to a net zero and the development of a climate resilient Scotland. This will require action to:

- support the growth of net zero investment and supply chains, prioritising the areas of greatest opportunity;
- help businesses baseline their climate risk and adapt their business models, in order to improve their climate resilience, protect critical domestic supply chains and future-proof productivity;
- contribute to the development of just transition plans for individual sectors and regions; and
- work with Scottish Government and other partners to develop proposals on how future funding for businesses can be linked to advancing the transition to net zero, in accordance with the Bute House Agreement.

5. Support Scotland's economy to promote wellbeing and fair work. I am aware of the progress that HIE has made in this regard both as an employer and in the way in which you have applied Fair Work First criteria to your grants, procurements and other funding.

The Bute House Agreement commits to strengthening our approach to conditionality. I note that from April 2022, all organisations across the Highlands and Islands region who receive HIE funding will be expected to comply with the Fair Work First criteria.

Governance

Where appropriate, I expect HIE to play an active role in the governance of each of the programmes described in NSET and be accountable to the new NSET delivery board for the delivery of specific actions included within these programmes.

Reform

NSET commits the Scottish Government to establish a programme to radically transform the way in which economic development activity is delivered across Scotland. I am encouraged by the support you provide to the Business Support Partnership and would expect you to build on that success and provide the staff and other resources required to shape and deliver a more comprehensive approach to reform that:

- is based on a thorough understanding of the needs of your customers;
- extends across and enables greater collaboration amongst all organisations that support economic development in Scotland;
- embeds digital technology at the very centre of your operating model through greater data sharing and the use of common operating platforms;
- reduces operating costs, particularly in areas that do not deliver front line benefits to service users;
- increases the accessibility of online information and services to Scottish businesses;
- provides robust mechanisms for measuring, reporting and making subsequent improvements to customers' experience.

In summary, I expect HIE and its partners to develop a new target operating model that fully embraces the opportunities provided by digital technology to provide services that meet clear user needs in a cost efficient and measurable way.

Spending Review

I expect HIE to maintain a strong commitment to identifying and achieving efficiencies by maximising the impact of your interventions and ensuring that they deliver best value for public spending, as set out in the Scottish Public Finance Manual. In doing so, I expect HIE to ensure that your operating plan for 22-23 is deliverable within the budget allocated to HIE.

I am also looking for your full participation in the preparation of the Scottish Government's Resource Spending Review. The reform programme described above will enable HIE to refocus its activities in line with the anticipated resource allocation during the spending review period and I would therefore expect early action during 22-23 to enable HIE to prepare for the challenges and opportunities this will bring.

Sponsorship

The Scottish Government relationships with public bodies: progress review contains fourteen recommendations for improving how the Scottish Government manages its relationships with public bodies. The recommendations look to strengthen existing policies, address concerns, and allow for consistently effective sponsorship. I expect HIE to work co-operatively with the Sponsor Team to consider the recommendations.

Conclusion

I hope this letter is helpful in setting out my expectations of HIE. I look forward to seeing HIE's strategy and annual operating plan in due course and to further discussion on NSET delivery at our quarterly strategic engagement meetings.

Yours sincerely,

KATE FORBES

Deputy First Minister and Cabinet Secretary for Economy and Gaelic
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04 December 2024

Dear Colin,

Economy and Fair Work Committee pre-budget 2025-26 views

Thank you for the Committee's letter dated 6 November 2024 to share your views in relation to the Scottish Budget 2025-26. This summarised the evidence you received and highlighted key issues for the coming financial year; I note your continued focus on support for business, support for women's enterprise and skills development, and your new focus on the importance of multi-year funding and the availability of housing to support jobs.

Please find within the Annex to this letter responses to the questions and requests for information raised within your report. I trust you will find this information useful. I would also like to take this opportunity to thank the outgoing convener Claire Baker MSP and the Committee for their recommendations shared as part of the pre-budget scrutiny work. I look forward to engaging with you further on these when I give evidence in January.

Yours sincerely,

KATE FORBES

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

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ANNEX

1. **At the time of writing, the extent of additional consequentials to compensate the devolved public sector for the increased cost of employer National Insurance contributions was unclear. The Committee asks the Scottish Government for clarification on this point as soon as this is available.**

The UK Government Budget still leaves us facing significant cost pressures going forwards. The great unknown is the impact of the increase in employer National Insurance contributions. We estimate this change could add around £500 million in costs for the public sector unless it is fully reimbursed. We have a range of public sector employers, including the NHS, police and local authorities, who need clarity on this to inform their spending decisions.

The Treasury must fully fund the actual costs for Scotland's public sector, and not just give a much lower value Barnett share of spending in England. This funding must also recognise the full extent of organisations delivering public services, including GPs and dentists. Given the potential impact for charities, the health sector and businesses, the UK Government should have looked across the range of tax powers at their disposal before pushing through this increase to employer NICs.

The Cabinet Secretary for Finance and Local Government has written to the Treasury seeking urgent clarification on these issues and discussions with the Treasury are ongoing.

2. **Given the difficulties caused by short-term funding settlements, the Committee asks the Scottish Government to look further at the possibility of multi-year funding to allow for longer-term planning.**

We intend to publish the 2025 Medium Term Fiscal Strategy (MTFS) after the conclusion of the UK Government's multi-year spending review, due to conclude in Spring 2025. Our 2025 MTFS will be accompanied by a five-year fiscal sustainability delivery plan which will outline the specific actions being undertaken under each of the three pillars to deliver sustainable finances. The Delivery Plan will build off the opportunity we have with the upcoming UK Spending Review, and could help support a future Scottish Government Spending Review.
The Scottish Government is currently reviewing its options for a Scottish Spending Review and will update Parliament in due course

3. **The Committee is supportive of SNIB and its work and recognises that until now it has been heavily reliant on capitalisation from financial transactions. The Committee asks the Scottish Government to confirm how it proposes to capitalise SNIB in future.**

To date, the Scottish National Investment Bank has been wholly capitalised through Financial Transactions (FTs). Although the future of FT allocations from the UK Government remains uncertain, we have been able to allocate £167m of FTs to the Bank

for 2025/26 and a further £33m in CDEL. As part of future budget processes, we will consider the most appropriate way to continue the capitalisation of the Bank.

4. **The Committee is aware that discussions continue about accounting rules that place restrictions on SNIB's ability to reinvest proceeds. SNIB has said that unless a solution is found, it will always be dependent on state funding, contrary to Parliament's intention. The Committee believes it is imperative that a solution is found. The Scottish Government is asked to set out how it will progress this.**

The Scottish Government notes the Committee's interest in this issue and notes the interaction between the Bank's ability to reinvest gains and its long-term financial strategy. When the Bank was set up, the Scottish Government approached the UK Government seeking a derogation from the rules which control spending by non-departmental public bodies, but this request was declined. The Scottish Government is working with SNIB to identify solutions that are within the gift of Scottish Ministers and aligned with the Scottish Public Finance Manual.

The Scottish Government is also now engaging with the UK Government regarding the arrangements that are being designed for the UK National Wealth Fund which will face similar challenges to SNIB, it is hoped these discussions might yield some solutions which can also be applied to SNIB.

5. **SNIB continues to seek authorisation from the Financial Conduct Authority to manage third party capital alongside capital from the Scottish Government. In June 2023, SNIB told the Committee that its application was "being actively looked at". SNIB recently highlighted the importance of receiving FCA authorisation to enable it to directly allocate private capital to projects it finances, alongside the capital it receives from the Scottish Government. The Scottish Government is asked what assistance it is providing with efforts to secure necessary authorisation.**

The Bank is leading the application process and Scottish Government has provided input as and when required. In July 2022, as the Bank's sole shareholder, Scottish Government provided a letter to the FCA to support the Bank's application. In November 2024, Scottish Government agreed to the Bank's request to increase the minimum amount of cash the Bank can hold from £3.5m to £5m to meet the FCA's regulatory capital requirements. We stand ready to provide further assistance as and when it is required.

6. **The Committee was previously advised of discussions between enterprise agencies to identify potential opportunities for greater interagency collaboration on common functions. Given current funding constraints, the Committee believes this work is vital. The Scottish Government is asked for a progress update on this work and how next year's budget will support efforts in this area.**

The enterprise agencies are identifying opportunities for greater interagency collaboration on common functions. For example, they continue to work together and with Skills Development Scotland on the Enterprise Information Systems (EIS) shared service. A recent strategic review recommended further alignment of core systems and that the shared services seek potential new partners. An exercise is currently underway to understand the systems landscape in each organisation and the potential for moving towards more shared systems.

The Business Support Partnership (BSP) has delivered the Find Business Support website and created a Master Customer Record which is in the final stage of development and will provide enhanced data and a single 360-degree view of every business in Scotland. BSP partners are working together to identify opportunities to accelerate progress through the use of data to target priority areas to stimulate and support growth and drive better customer experience and outcomes.

The Scottish Government agrees with the Committee's assessment that interagency collaboration on common functions is vital and will continue to work with the agencies to support further progress as part of Public Service Reform activity.

7. **The Committee was also advised last year that work was underway to reform delivery of economic development support in Scotland, including considering of the role of the Scottish Government, enterprise agencies and other partners. The Committee would be grateful for an update on this work and how next year's budget will support this work.**

The Scottish Government is currently developing a comprehensive programme to reform economic development support in Scotland, working in partnership with our enterprise agencies and other key stakeholders.

The aim of this reform programme is to ensure that Scotland's economic development infrastructure and support mechanisms are aligned with best practices from leading European economies, both in terms of impact and efficiency.

Our three key priorities for this work are:

1. ***Business Support Reform**: Designing a more efficient and streamlined model for delivering business support, with an enhanced use of technology and AI, and a sharper focus on strategic priorities and measurable return on investment.*
2. ***Revenue-Raising Reform**: Establishing a self-sustaining model for supporting entrepreneurship and innovation, centred around our universities. This includes increasing flexibility for agencies to reinvest returns and ensure long-term sustainability.*
3. ***Structural Reform**: Strengthening accountability and oversight across the economic development system, ensuring that support and investment align with government priorities. This will clarify the roles of different partner organisations,*

including the Scottish Government, and ensure better coordination for a more effective system.

The reform programme is expected to be implemented within existing funding levels, with a small allocation for a CivTech project focused on the reform of business support.

8. **The Withers review recommended that enterprise agencies should take responsibility for supporting businesses with skills and workforce planning. This would require enterprise agencies to broaden their approach. Given the importance of an appropriately skilled workforce to Scotland's economy, the Committee calls for skills development and workforce planning to be sufficiently funded to enable this vital work to be undertaken at a scale and pace required. What is the Scottish Government's current thinking on the recommendation that enterprise agencies take on the responsibility for supporting businesses?**

This recommendation will be considered as part of the post school education and skills reform programme. This will involve work to map the services that are currently provided to support employers with workforce planning, consider how they sit within the wider business support landscape and develop and agree any changes to current services and structures.

To what extent will next year's budget support and resource changes to the skills development and delivery landscape?

The Scottish Government continues to face the most challenging financial situation since devolution, as a result of unprecedented economic pressures following the pandemic and the cost of living crisis. Despite the financial constraints, the Government continues to focus on building a more inclusive Scotland for all, investing in services and support that will help our communities during these difficult times.

During this period Scottish Government will continue to maintain their strong commitment to funding and supporting colleges, and students. Despite continuing financial challenges, the 2025-26 Budget invests over £2bn in post school education, supporting the delivery of high-quality education, training, and research. This includes important increases in resource funding to both the university and college sectors.

This will maintain Scotland's reputation for world leading research, provide vital financial assistance to students to support them in completing their studies in the face of significant cost of living pressures, and provide opportunities for our young people to have access to skills and learning opportunities that enable them to successfully enter the world of work. It will also support adult learners, including parents, to enter, sustain and progress in work, which is critical to our mission of eradicating child poverty.

Next year's budget will also support and resource changes to the skills development and delivery landscape. Our programme of reform includes leading a new national approach to skills planning, reform of the education and skills funding system so it is easier to navigate and more responsive to learners and skills priorities and improving careers support.

9. **In the report following its Town Centre and Retail inquiry, the Committee highlighted the importance of support to businesses to build digital capabilities. The Committee asks the Scottish Government to make clear in next year's budget the specific provisions intended to deliver this support and what outcomes this spend is expected to achieve.**

As confirmed in the letter from Mr Arthur, Minister for Employment and Investment, on 24 October the support delivered through the four named schemes related to 'DigitalBoost' remains on pause.

It may be helpful to explain that the DigitalBoost programme was a £1.6m programme that operated on a relatively small scale compared to the very substantial range of programmes, institutions and funding opportunities that exist across the broader public sector to support businesses to digitalise and innovate. Examples include:

- *The £16m national Business Gateway programme which provides advice and grants on all aspects of business development, including digitalisation.*
- *The £10m Techscaler programme which provides promising start-ups with world class commercial education and mentorship.*
- *The innovation centre programme funded by the Scottish Funding Council which supports skills and business innovation across domains such as digital health, data and AI.*
- *Institutions such as the National Robotarium, the National Manufacturing Institute for Scotland and the Medicines Manufacturing Innovation Centre which provide support for businesses to innovate with cutting edge technologies.*
- *Funding programmes such as Scottish Edge and the broader funding schemes offered by local authorities and enterprise agencies, all of which can be used by businesses to invest in digital innovation.*

10. **The Programme for Government pledges to implement key recommendations from Ana Stewart and Mark Logan's review of gender equality in entrepreneurship. The Committee again requests that the Scottish Government disaggregates monies for women's business support in the budget, sets out what the monies will be used for and confirms the size and profile of the Pathways Fund.**

This is a Budget which puts money behind our PfG commitments on entrepreneurship and innovation, substantially increasing total funding to £34.7m.

We are expanding funding for the Enterprise Package by £15 million to expand support for female entrepreneurs, boost the economic impact of universities, and funding the development of business clusters in advanced manufacturing and deeptech.

While the Budget document includes this full package within the same line, this £15m package will include at least £4m for Pathways. Having received starting funding of around £1.1m in 2024-25, this is a significant uplift for this important support.

11. **The Scottish Government has said it remains committed to the £500 million 10-year Just Transition Fund programme for the North East and Moray. In its inquiry report, the Committee queried the Fund's future sustainability and asked the Scottish Government to look further at the possibility of multi-year funding to allow for longer-term planning. The Committee also called for a mix of sustained revenue and capital funding for the Fund, with sufficient revenue to support capacity-building in communities and to ensure small businesses and community-based initiatives could be supported. The Committee requests that next year's budget makes this provision.**

The Just Transition Fund will receive a capital budget allocation of £15.9 million for the 2025-26 financial year, as well as £1m resource. This will allow us to complete ongoing projects and open a new bidding round, as well as continue our commitment of £1 million to the Fund's existing participatory budgeting programme.

Through the Just Transition Fund for the North East and Moray, the Scottish Government has already allocated £75 million since 2022, supporting projects and communities across the region to create jobs, support innovation, and secure the highly skilled workforce of the future.

This includes the successful allocation of £25 million in FY 2023-24 from the Just Transition Fund to the Scottish National Investment Bank, to be invested in the region on a commercial basis in line with the Bank's Investment Strategy and key missions, including to support a just transition to net zero. The Bank have used this allocation of financial transitions to co-invest on 3 projects which will help accelerate just transition in the region through training and upskilling and investments in low carbon technology.

Alongside this allocation, we remain focused on maximising the impact of the projects supported by our investments in the region to deliver benefits for businesses and communities. This includes the provision of direct support to communities through our Participatory Budgeting Fund which we will continue every year over the lifetime of this parliament. We are also supporting businesses and the energy supply chain through our Energy Transition Challenge Fund, funding research designed to enable the offshore production of green hydrogen and supporting construction of a Just Transition Hub with a focus on land use and agriculture at the James Hutton Institute in Aberdeen.

With a view to assessing value for public money and impact of investment to date, we have commissioned an independent evaluation of the Just Transition Fund. The purpose of the evaluation will be to assess value for public money and impact of investment made through the Fund. The evaluation commenced in November 2024 and will conclude by March 2025.

12. **Tourism is vital to Scotland's economy and sustainable tourism has been identified by the Scottish Government as a growth sector, with comparative advantage and potential to deliver increased productivity and growth. The Committee recognises that the impact of removing VisitScotland marketing campaigns, due to funding withdrawal is felt immediately. The Committee has previously called on the Scottish Government to protect VisitScotland's**

international promotional spend and was disappointed with this year's in-year budget cut. The Committee would be concerned to see further cuts to the VisitScotland budget.

The Scottish Government recognises the important role and expertise that VisitScotland has in driving the value of the Scotland's economy as a whole. Tourism creates jobs, sustains communities and makes a significant contribution to the ambitions of NSET.

The 2025-26 Budget maintains VisitScotland's core budget allocations and in addition is allocating £4m to a revitalised Rural Tourism Infrastructure Fund. It is also allocating up to £2 million to VisitScotland to support activity that encourages visitors to consider lesser-known destinations and allows VisitScotland to continue to work with airlines and airports to further grow direct international connectivity.

13. **The Committee recently completed an inquiry into the disability employment gap highlighting that budget cuts had strained employability resources and contributed to funding delays for local authorities. This had impacted on service delivery. The Committee expects next year's budget to re-prioritise employability spend.**

We recognise the important role Employability has to play in contributing to a number of Government ambitions, including supporting economic growth, ending child poverty, and halving the disability employment gap. In line with the committee's recommendation, this year's Budget is protecting funding for Employability at £90m.

This will enable delivery of Specialist Employability Support to disabled people and people with long term health conditions across the country by Summer of 2025 in line with our Programme for Government. We also recognise that delays to funding can negatively impact delivery of services. We will continue to ensure employability services are available in all 32 local authority areas in 2025-26 as we work with local government and wider partners to deliver the priorities set out in our recent Strategic Plan.

14. **SE told the Committee it makes a return of £25 gross value added for every £1 invested. HIE estimated that tax revenue generated over three years was two and half times its budget. The Committee notes this but emphasises that particularly in times of tight financial settlements, it is critical to be able to evidence what is being achieved by public investment and expenditure.**

Each of the enterprise agencies has a performance measurement framework in place. Performance targets are agreed for primary measures as part of the agencies' annual business planning process, and they report on performance in their annual reports and accounts.

The agencies also evaluate the programmes they deliver to ensure that they achieve the intended aims. This is done through a mix of internal and independent evaluation The evaluation, and lessons learned, are then used to inform future decision-making.

As discussed with the Committee, the agencies undertake modelling to demonstrate the return on investment and longer-term impact of their interventions. This modelling incorporates consideration of jobs created, wages, and income tax take, alongside Gross Value Added, amongst others.

South of Scotland Enterprise is also exploring how to capture and quantify less-tangible benefits from its investment, for example long-term generational return and the social, wellbeing and community benefit return.

15. **Being able to evidence what is achieved by public funding will be important for measuring the success of the Scottish Government's National Strategy for Economic Transformation. The Auditor General for Scotland has said there should be a clear link between NSET and the budget, with NSET driving budget decisions across Government. The Committee calls for more coherence across Scottish Government portfolios and expects to see much clearer links between NSET and all other Scottish Government strategies and the Scottish Government's budget documents.**

NSET is the Scottish Government's flagship economic strategy, providing the framework for other strategies and plans and driving the action we are taking across government to deliver the FM's objective of a growing economy. The Programme for Government sets out our priorities for delivering NSET over the next 12-18 months, and this Budget is putting money squarely behind these priorities. NSET is therefore a central driver of budget decision-making.

We agree that being able to evidence the impact of public funding is important and have listened to Audit Scotland's recommendations on metrics and evaluation. We are in the process of identifying additional metrics that can be used to better track our outputs and medium-term delivery and are looking at ways to use new corporate systems to better track spend on prioritised actions. Audit Scotland recognised that it is too early to assess the impact of NSET, but in the most recent NSET Annual Report an additional section was added to discuss the results of early evaluation work, which in some areas (such as employability support) is now well advanced. We continue to use our measurement framework and evaluation to develop our approach.

Mary McAllan, Director, Public Service Reform
Richard McCallum, Director, Public Spending

1. Thank you for your note of 15 April and subsequent discussion on the joint savings commission. As requested, we asked the public bodies within DG Economy to complete the template shared with your note. For the reasons explained below, and in our recent conversations, **[redacted - S30(b)(i)]]**.

2. The enterprise agencies (EAs) and VisitScotland (VS) have, however, taken the exercise seriously. They are committed to finding savings to live within reduced budgets, and are directly engaged with SG-led efficiency programmes. They have provided detailed narrative returns setting out the areas where they have made, and continue to make, efficiency savings. These returns are summarised in the annexes that follow.

3. When we met on 30 April, we discussed how important it is to recognise the distance travelled i.e. the fact that the EAs and VS have already taken significant steps to reduce costs in response to reduced budgets and increased pay bill and inflationary costs. Further efficiencies will be required to meet future pay awards.

4. It is also important to recognise that the EAs and VS unlock significant investment in the economy, as well as raising income which they re-invest. It is critical that they have the budget headroom to support this activity. For example, Treasury rules relating to loan and equity write-offs mean that although initial interventions are made from the EAs' capital or FT budgets, any losses score against resource. Tools used by the EAs to support clients and recycle funds (in contrast to grant funding), therefore create a resource pressure. **[redacted - S30(b)(i)]]**

5. **[redacted - S30(b)(i)]]**

6. **[redacted - S30(b)(i)]**

7. Reform of this nature would be best approached from a pan-agency, economic development perspective. It must also consider the contribution of agencies, policy responsibilities and initiatives currently outwith the economy portfolio. A programme of this kind would require **[redacted - S30(b)(i)]].**

8. DG Economy itself has delivered a 20% reduction in baseline FTE since 2022. It is the only part of SG to achieve a net reduction in staff numbers between 2020 and 2024, with a decline of 5.5% compared to an increase of 21.2% across SG core. FTE will reduce by a further 60-78 posts between now and July 2025 due to the wind-down of ESF. The 2025-26 TOC allocation reflects ESIF TOC costs to be offset by the ESIF income it generates.

9. This means that DGE has reduced its workforce from 806 FTE in April 2022 to a projected FTE of 521 in March 2026. This is a reduction in capacity of over 35% over a four year period. Whilst the DG did lose some FTE due to the conclusion of covid specific activities, it has also gained a number of significant

new responsibilities, meaning that FTE has fallen sharply while our remit has expanded.

10. The addition of the Directorate for Planning, Architecture and Regeneration, a new area of responsibility for the DG, will bring the DGE FTE up to 610.

11. DGE will continue its focus on workforce planning and will work within the FTE outlined for March 2026, ensuring alignment between priorities, resourcing and budgets whilst developing working practices that better enable us to respond collectively to changing priorities. As noted above in respect of the agencies, there is a distinction between the process of economic development and the current remit of DG Economy and therefore potential to explore further efficiency savings on a cross-DG portfolio basis.

Annex A

EAs and VS - cost savings

Bodies are working within reduced budget allocations

Resource budget allocations to SE and HIE were reduced by 10.4% in 2023-24 and 5% in 2024-25, delivering combined savings of £17.13m in 2023-24 and £8.92m in 2024-25. Both bodies have made significant operational and structural changes to accommodate these pressures. Since 2023-24, HIE has also had to absorb Cairngorm Mountain (Scotland) Ltd (CMSL) operating costs into its baseline budget.

Bodies are achieving savings through workforce reduction

Through careful workforce planning and organisational restructuring, SE has removed roles that do not support its new missions focus and optimised its workforce to ensure maximum efficiency. This has enabled it to maintain the quality of its services whilst working to reduce staff to c. 968 by 2026, a 15% reduction from 2022-23 levels, equating to a total saving of £8.8m. SE has also moved its USA staff on to the FCDO platform, resulting in savings of c. £210k annually.

VS is in the third year of a 3 year voluntary redundancy programme. As of end March 2025, VS's FTE was 399, which represents a 20% reduction in its workforce since the start of its strategic change programme. Its voluntary redundancy programme will release £3.4m a year (although VS is bearing the costs of VR in the short-term). VS is the only public body that is actively progressing a compulsory redundancy scheme.

As a relatively new organisation, SOSE is operating below anticipated FTE (142 compared to 175 as set out in the Financial Memorandum companying its Bill) and it proactively considers alternative approaches for each role. Following a recent resourcing review as part of its transformation programme, SOSE is also planning a VR programme. This will allow it to refresh the skillset within the organisation without adding to headcount.

Since 2018, HIE's staff complement has reduced by 13%, realising savings of over £700k. Given the significant opportunities for the region, and dispersed geography, staffing is now considered to be at a critical mass. HIE is constantly looking at new ways of working and flexibility of resource across the region to deliver on key priorities.

Bodies are focused on efficient use of estates, delivering cost savings on office space and their commercial property portfolios

SE has moved to four core hub locations in Scotland, with smaller satellite offices, delivering c.£1.4m annual savings from 2022-23. Implementation of the Single Scottish Estate and National Collaborative Procurement frameworks has led to significant cost reductions in rent, utilities, and facilities management. SE is exploring further savings as part of the Glasgow hub project and potential co-location of its Edinburgh office, as well as further reducing its offices. SE has

identified potential annual savings of £870k in 2026-27 for discontinuing Scotland Europa in its current form.

VS has delivered savings by closing its HQ to co-locate with Edinburgh Council and through closure of its 26 iCentre locations. To date, 16 of the iCentres have now closed, with the remaining 10 due to close in October 2025. This is expected to generate recurring savings of c. £1.1m.

HIE has delivered over £330k savings from exiting high cost lease arrangements and putting in place co-location arrangements (allowing HIE staff to co-locate or third parties to co-locate in HIE offices).

Bodies collaborate on achieving efficiencies through shared services

The EAs and Skills Development Scotland operate across a common IT platform. Scottish Enterprise, South of Scotland Enterprise, Skills Development Scotland, Scottish Funding Council and Clyde Gateway share an internal audit function.

Implementation of SE's new finance system (Enterprise Resource Planning system) will deliver estimated savings of £200k per annum into the future as well as headcount reductions. SE also anticipates further savings in data, digital and IT as it invests in new systems, simplifies/digitises key processes, and shuts down legacy systems.

Bodies are pursuing savings through changes to their delivery models

SE has taken steps to refocus and restructure the organisation to deliver activity under three 'missions' - energy transition, scaling innovation and attracting investment - where it can have most impact on growing the economy. It is implementing its Data, Digital and AI strategy 2025-28 which commits it to being:

- data driven - to enable decisions and generate insights which allow it to best deliver its role in Scotland's economy;
- customer centric - giving its customers access to critical tools, support and resources to allow them to innovate and scale; and
- more efficient in how it operates - in order to increase its impact.

VS is executing an ambitious change programme, having taken the decision to close all remaining physical iCentres in Scotland in favour of a digital first approach through its consumer website and social and partner channels. Its Quality Assurance schemes have been fully retired, and its new business support model set up.

HIE has delivered an estimated £1m savings through changes to its delivery model. It has focused on building its in-house expert capacity in areas such as financial due diligence, subsidy control and economic impact assessment, allowing it to exit from relatively higher-cost specialist advice contracts. It has also increased use of cross-organisation project teams, allowing more flexible use of resources.

SOSE is implementing a transformation programme which will see it adopt a new operating model to optimise investment opportunities for businesses and communities across the South. This will require organisational re-design and the creation of a business intelligence function which will enable it to harness tech and be data driven in all of its activity.

Annex B

[redacted - S30(b)(i)]]

Annex C

[redacted - S30(b)(i)]]

Annex D

[Redacted – out of scope]

Annex E

[redacted - S30(b)(i)]]

DG Economy – PSR Discussion

Engagement title and timings: (please ensure diary invites match this)		Discussion with the leadership of the central Public Sector Reform team.
Purpose of meeting: (please keep short and clear)		These meetings were originally scheduled by Joe Griffin. The session is framed as an opportunity for DG areas to provide feedback on general PSR strategy and are not intended to replace or replicate the recent round of DG assurance deep dives on PSR. This should mean that the meeting will not solely focus on DGE's approach to PSR.
Attendees: (name, job title, affiliation unless obvious)		▪ Mary McAllan, Director, Public Sector Reform ▪ Richard McCallum, Director, Public Spending ▪ Simon Mair, Deputy Director, Public Sector Reform
DG Economy role: (indicate whether chairing, making remarks/speech, or where might best contribute)		Participating in discussion. Session will be chaired by May McAllan.
Official support and mobile number		▪ Colin Cook, Director, Economic Development ▪ Stephen O'Neill, Deputy Director, Entrepreneurship and Sponsorship ▪ Marcus McPhillips, Economic Strategy and Delivery Unit

ANNEX A

AGENDA

The purpose of this meeting is to discuss:

- DGE and response to the Public Service Reform (PSR) strategy.
- A focussed discussion on the early priority of delivering cash releasing savings.

Item	Topic/ Purpose	Time
1.	**PSR Strategy** The PSR Strategy is being finalised now and this is an opportunity to discuss and feed-in views. The strategy will publish in early June 2025.	10 mins
2.	**Efficiencies** The Minister for Public Finance's initial focus is on driving efficiency savings across the board. This will be an opportunity to discuss some of the detailed work being undertaken by DG families.	30 mins
3.	**Reform: service change and prevention** While the initial focus is cash releasing savings the wider reform requirements (service change, prevention) will need to be considered in the full plan. This is an opportunity to discuss and understand priorities within DG areas.	15 mins
4.	**AOB** Opportunity to discuss any other relevant matters.	5 mins

ANNEX B

Summary of DGE's approach to PSR

Key points

The Economy portfolio has displayed leadership on public sector reform (PSR), executing a change programme that has refocused public bodies onto a sharper set of priorities while delivering budget savings and workforce efficiencies. Our approach is split into **four tracks** of activity:

1. Delivering cost savings
2. Service innovation and improvement
3. **[redacted – S29(1)(a)]**
4. Major policy programmes that are fundamentally altering the focus and delivery of economic policy.

1. Delivering cost savings

- **Bodies are working within reduced budget allocations**

Resource budget allocations to Scottish Enterprise and Highlands and Islands Enterprise were reduced by 10.4% in 2023-24 and 5% in 2024-25, delivering combined savings of £17.13m in 2023-24 and £8.92m in 2024-25. Both bodies have made significant operational and structural changes to accommodate these pressures.

- **Agencies are reducing headcount through natural attrition and voluntary redundancy schemes**

Scottish Enterprise has reduced FTE by 68 (6.4%) since Q2 2020. It aims to further reduce FTE over the next three financial years to 928 by end 2027-28 (a reduction of 139 FTE / 13% from Q2 2020).

As of Q2 2024, VisitScotland had 529 FTE staff. It has a voluntary redundancy programme in place and aims to reduce FTE to 362 by end 2027-28.

VisitScotland is the only public body that is actively progressing a compulsory redundancy scheme (being considered by Remuneration Group later today).

DG Economy itself has delivered delivering a **20% reduction in baseline FTE** since 2022. It is the only part of SG to achieve a net reduction in staff numbers between 2020 and 2024, with a decline of 5.5% compared to an increase of 21.2% across SG core. FTE will reduce by a further 60-78 posts between now and July 2025 due to the wind-down of ESF.

SOSE and the bank are new organisations and both are operating below agreed FTE. Following a recent resourcing review, SOSE is also planning a VR programme and has submitted a business case to SG.

- **The agencies are focused on efficient use of estates, delivering cost savings on office space and their commercial property portfolios**

Scottish Enterprise has moved to four core hub locations in Scotland, with smaller satellite offices, delivering c.£1.4m annual savings.

VisitScotland has delivered savings by closing its HQ to co-locate with Edinburgh Council and through closure of 25 icCentre locations in favour of a digital first approach. This is expected to generate recurring savings of c.£1.2m.

- **The agencies collaborate on achieving efficiencies through shared services**

The enterprise agencies and Skills Development Scotland operate across a common IT platform. Scottish Enterprise, South of Scotland Enterprise, Skills Development Scotland, Scottish Funding Council and Clyde Gateway share an internal audit function.

2. **Service innovation and improvement**

In partnership with our public bodies, we have also initiated a series of policy orientated reform projects focussed on improving services through the modernisation of delivery models.

- **Business support reform**

There is broad consensus that there is scope to streamline, refocus and modernise the delivery of business support services across the public sector through the intelligent use of technology. This includes:

- A CivTech challenge on the role of AI in delivering business support. The prototype product, **BobbAI**, is impressive and warrants further development.

- The **Master Customer Record**, a digital tool that will aggregate public and private data sets, with the capability to undertake sectoral, cluster and regional comparisons.

- Working with the Business Support Partnership (BSP), a group of senior public sector leaders with responsibility for key services, to develop a more extensive set of proposals.

3. Longer-term reform

[redacted – S29(1)(a)]

4. Major reform-orientated policy programmes

There are a number of large-scale policy programmes which, while they do not necessarily represent reforms to public bodies, fundamentally alter the focus and delivery of economic development. Examples include:

- **No-one Left Behind** – a new approach to employability focused on tailoring services to individual needs, removing barriers to employment and providing person-centred support.
- **Prioritisation of the start-up economy** – increasing industrial capacity through a focus on new, rapidly scaling firms in emerging markets.
- The progress made through **New Deal for Business** in involving industry in policy development.
- Giving the Bank flexibility to use the Scottish Reserve in order to manage investment activity across financial years and maximise impact.

ANNEX C

[redacted - S30(b)(i)]]

DG Assurance

February 2025

Information required	For completion by lead officials
Title of the item	**Public Service Reform**
What is the assurance question?	Is the DG family content that this work supports agreed outcomes for PSR as set out in the Corporate Risk Register: reducing cost, improving outcomes and addressing inequalities?
Suggested discussion points	1. Have public bodies gone far enough to identify savings – including in relation to digital, resourcing, shared services and estates? 2. To what extent are further 'spend to save' options available? 3. Are there any major strands of reform that appear to be missing?
What are the next steps for this item?	• Supporting public bodies to successfully execute the reform plans described in the paper, including accelerating progress through the 'Invest to Save' fund. • Portfolios will shortly receive further information on the workforce control framework that is being developed for public bodies including recruitment controls, a workforce management policy and related governance arrangements. Public bodies will also be asked for details of their planned spend on corporate functions in 2025-26. As we have done to date, the portfolio stands ready to respond, working closely with our public bodies, to ensure that expectations from the centre are met.
Lead officials	Colin Cook, Director of Economic Development Stephen O'Neill, Deputy Director, Entrepreneurship and Sponsorship

DOC 20

DG ECONOMY: PUBLIC SECTOR REFORM

Introduction

1. The Economy portfolio has displayed leadership on public sector reform (PSR), executing a change programme that has refocused public bodies onto a sharper set of priorities while delivering budget savings and workforce efficiencies. In partnership with our public bodies, we have also initiated a series of policy orientated reform projects focussed on improving services through the modernisation of delivery models. This progress has been acknowledged by the Finance Secretary, who has asked DG Economy to share best practice across other portfolios. This paper outlines progress made to date, provides an update on key projects and describes next steps.

2. Since the group's last meeting, the key strategic development is an increasing focus on the need to deliver near term savings, **[redacted – S29(1)(a)].** We expect to receive further direction from the central PSR team very soon and it is clear that PSR plans across SG and its public bodies will need to adapt to respond to the direction received. The portfolio stands ready to develop options for DFM's consideration.

Headline budget savings

3. In recent years, DG Economy and its public bodies have experienced a series of challenging budget settlements and have made significant changes in order to accommodate these pressures. For example, resource budget allocations to Scottish Enterprise (SE) and Highlands and Islands Enterprise (HIE) were reduced by 10.4% in 2023-24 and 5% in 2024-25, delivering combined savings of £17.13m in 2023-24 and £8.92m in 2024-25. These reductions coincided with inflationary costs and pay bill increases.

4. In response to a challenging and still declining fiscal environment, each of the portfolio's public bodies is pursuing a programme of reform. Specific examples of these approaches are more fully described throughout this paper but, in short, public bodies are:

    - reducing headcount through natural attrition and voluntary redundancy schemes;
    - rationalising estates and reducing other fixed cost liabilities;
    - developing new, more efficient approaches to service delivery, focussed on harnessing advanced digital technologies and data science; and
    - revising corporate strategies focused on improving outcomes whilst adjusting to new, likely long-term fiscal realities.

5. We expect to receive a new finance commission shortly, focussed on public bodies' forecast expenditure on corporate functions in 2025-26. This will seek information on any significant new spend (e.g. IT investment) and/or other expenditure where there might be an opportunity to achieve further efficiencies, particularly through collaboration with other public bodies.

Workforce savings

6. Significant progress has been on workforce savings across DG Economy and its public bodies. These savings run counter to the overall public sector trend of a **36.7% increase** in FTE since 2020 across SG main and public bodies to whom public sector pay policy applies.

7. SE has reduced FTE by 68 (6.4%) since Q2 2020. Through natural attrition **[redacted - S30(b)(i)]]**, it aims to further reduce FTE over the next three financial years to:

    - 976.3 by end 2025-26 (a reduction of 90.7 FTE / 8.5% from Q2 2020);
    - 952.1 by end 2026-27 (a reduction of 114.9 FTE / 10.8% from Q2 2020);
    - 928 by end 2027-28 (a reduction of 139 FTE / 13% from Q2 2020).

8. Modelled pay increases offset staff reductions until 2027-28, when £636k of savings will be realised.

9. HIE has reduced FTE by 7.6% since Q2 2020. Given the delivery model changes it has made and the size and geographical distribution of the region, it is not proposing further reductions. It will, however, continue to generate in-year savings through ongoing workforce planning and other revenue efficiencies to afford the forecasted FTE and associated salary costs. Based on a projected turnover rate of 6%, HIE forecasts that it will generate recurring savings of c.£120k in 2025-26, c.£125k in 2026-27 and c.£128k in 2027-28.

10. As of Q2 2024, VisitScotland had 529 FTE staff. It has a rolling VR programme in place and is considering seeking approval to introduce a compulsory redundancy (CR) programme. It aims to reduce FTE to 362 by end 2027-28. VisitScotland forecasts that it will generate recurring savings of c.£586k in 2025-26, c.£329k in 2026-27, £65k in 2027-28 (savings do not include the cost of VR / CR).

11. SOSE was launched in 2020 and has therefore been growing as an organisation. However, it has held numbers at a level significantly below projected FTE. It was projected to have 175 staff, but FTE as of Q2 2024 was 140.3. It is now focusing on the skill set and resources it will need through to 2029 and has identified an initial range of capabilities that will need to be established and/or strengthened. **[redacted - S30(b)(i)]]**

12. Progress has also been made in DG Economy itself. Uniquely within SG, DG Economy undertook a workforce transformation programme in 2022/23. This delivered a 20% reduction in baseline FTE. As a result, DG Economy is the only part of SG to achieve a net reduction in staff numbers between 2020 and 2024, with a decline of 5.5% compared to an increase of 21.2% across SG core. FTE will reduce by a further 60-78 posts between now and July 2025 reflecting the wind-down of the European Structural Funds programme.

Estates savings

13. The agencies are focused on efficient use of estates, delivering cost savings on office space and their commercial property portfolios. In summary:

- SE has moved to four core hub locations in Scotland, with smaller satellite offices, delivering c.£1.4m annual savings. Co-location of SE's Edinburgh office at end of lease is expected to deliver further savings from 2026-27.
- A review of HIE's space requirements at its principal office in Inverness has resulted in approximately 30% floor space becoming available for other organisations to co-locate.
- VS has delivered savings by closing its HQ to co-locate with Edinburgh Council and through closure of 25 iCentre locations.

Shared services

14. DG Economy sponsored public bodies already make use of a range of collaborative framework agreements and joint procurement protocols. In summary:

- SE, HIE, SOSE and Skills Development Scotland (SDS) operate across a common IT platform and SE, SOSE, SDS, Scottish Funding Council and Clyde Gateway share an internal audit function;
- SOSE's cost reduction programme delivered cost savings relating to IT, finance and HR systems by c.£190k in 2024-25;
- the agencies have sought Sponsor Team's help in assessing the feasibility of options for joint insurance and a new project has been initiated to explore the feasibility of expanding shared service approaches.

15. The agencies have also participated fully in the joint SG/Cabinet Office benchmarking exercise to compare the running costs of six corporate functions (HR, finance, commercial, communications, digital and data, and property) within public bodies in Scotland with an FTE greater than 40. An interactive dashboard has been made available to public bodies and their sponsor teams, to prompt discussion on differences in operating costs and models and facilitate sharing of good practice. Sponsor Team is using SG analysis of public bodies' expenditure on corporate functions alongside the Cabinet Office dashboard to guide conversations with the agencies on the scope to achieve future efficiencies.

Service reform and improving outcomes

16. In addition to work targeting savings and efficiencies, we have also initiated a series of reform projects focussed on improving outcomes through targeted reform of services. **[redacted – S29(1)(a)]**. This activity is summarised below.

(a) Business support reform. There is broad consensus that there is scope to streamline, refocus and modernise the delivery of business support services across the public sector through the intelligent use of technology. To that end, the Business

Support Partnership (BSP), a group of senior public sector leaders with responsibility for key services, have agreed to collaborate with SG on progressing reforms. The BSP will submit their proposed areas of focus at the next BSP Board Meeting on 14th March. From there, a process will be agreed to arrive at an agreed set of reform proposals for implementation, drawing on support from the facilitation service offered by SG's central PSR team. We expect this process to be agreed, with firm timelines, in April. This process is important since we are considering a national redesign of business support services – a very substantial task. Given the range of competing interests at play, many of which are provided by agencies or SG delivery units that are based outwith DG Economy, securing an agreement to pursue ambitious reforms of business represents significant progress.

(b) Creation of the Master Customer Record (MCR). The BSP has led the development of the MCR, a digital tool that will aggregate public and private data sets, with the capability to undertake sectoral, cluster and regional comparisons. This is powerful economic data that can be used to inform improved policymaking and to identify opportunities to streamline and deliver greater value from engagement with the public sector. This is a potentially powerful input to any future consideration of organsiational reform or other changes to the operating models of agencies involved in business support. A costed business case has been produced and will be presented to the BSP board for decision in March. This initiative is a strong candidate for a bid to the 'Spend to Save' fund given its potential for improving the quality and consistency of data that informs the government's view of the Scottish economic landscape.

(c) CivTech challenge. DG Economy has sponsored a CivTech challenge on the role of AI in delivering business support. Thirty-seven proposals were received with one company, Bobb AI, selected to progress to the accelerator stage. The company has created an AI-powered business growth platform that provides real-time business intelligence and advice for early stage companies – services that have traditionally been provided on an analogue, in-person basis. The accelerator stage operates until 2 May. During this stage they will refine and develop their solution to one that will support businesses of **all** sizes and endeavour to streamline and clarify access to public sector business support services. The company will present their refined proposal at CivTech's Demo Day in May and then continue on to the pre-commercial stage from 26 May, during which the company will have an opportunity to pitch for national rollout of the product. This solution has the potential to become the first of a number of AI driven solutions that can be added to the business sup[port and engagement process on a national, pan agency basis, with the potential to deliver both quality improvements and quantifiable cash savings. The BSP will have a key role to play in this regard, but a funding and support mechanism is required and is being considered as part of the Enterprise Package for 2025/6.

Key milestones for Business Support Reform (a.b.c):

Milestone	**Date**
CivTech Accelerator Stage commences	20th January

MCR business case finalised with stakeholder input	5th March
MCR business case presented to BSP board	14th March
SG commissions data from public bodies on business support services: grant schemes, spend, market focus, delivery models and scale. This will be used to inform policy making and compare to the service offering of comparable economies.	Collected during April 2025
BSP provide proposals for broader reform to SG	Prior to 25th April
BSP Board discuss and agree reform next steps. Policy process to develop more detailed proposals commences	25th April
CivTech Accelerator Stage concludes	2nd May
CivTech Demo Day	May (date TBC)
Pre-commercial process for Bobb AI commences. This is the point at which decisions will be made on funding and implementation.	26th May
Business support policy process completes. From here an implementation plan can be agreed and we will begin execution. This may not be straightforward depending on budget requirements and level of change agreed.	July 2025
MCR rollout	August 2025

(d) VisitScotland is executing an ambitious change programme, having taken the decision to close all remaining physical iCentres in Scotland in favour of a digital first approach through its consumer website and social and partner channels, responding to changes in consumer behaviour and how visitors access information ahead of travelling to their destination. **The final phase of the close programme will be completed by the end of November 2025. This is expected to generate recurring savings of c.£1.2m.**

(e) SE is implementing its Data, Digital and AI strategy 2025-28 which commits it to being: data driven (to enable decisions and generate insights which allow it to best deliver its role in Scotland's economy); customer centric (giving its customers access to critical tools, support and resources to allow them to innovate and scale); and more efficient in how it operates (in order to increase its impact). This will include experimentation with new machine learning tools, transformation of CRM systems and modernising transactional systems, including through shared services models. SE is currently developing a timetable (including target implementation dates) for this work.

(f) [redacted – S29(1)(a)]

(g) [Redacted – out of scope]

(h) Shared Services [Redacted – out of scope]

(i) Cluster Building Work is progressing on the development of a cluster building "playbook" aimed at facilitating the self-management of key industry clusters and activity is planned to strengthen existing clusters and/or provide funding for initiatives that enable cross cluster working. A majority of clusters are funded and supported currently through Scottish Enterprise but, if strengthened and demonstrably impactful could provide the basis of an alternative, industry led model for sector based economic development in the future. 2025/6 will see the launch of this programme.

(j) Regional Economic Partnerships: Whilst some Regional Economic Partnerships have continued to strengthen, the absence of national funding for planned initiatives such as the network of Regional Intelligence Hubs has limited the impact of this process over the past 2 years. Work with UKG on the future of the Shared Prosperity Fund and in influencing the place based focus of UKG Industrial Strategy offers an opportunity to revitalise these partnerships and prepare the ground for the future delivery of a more regional model of economic development.

Addressing inequalities

17. Through its contribution to growing Scotland's economy, the Economy portfolio has an important role, to play in PSR's broader aims to tackle poverty and reduce inequality. A growing economy generates the tax revenue necessary to fund public services. Growth also alleviates pressure on public services in the sense that it is correlated with reducing relative poverty, and improved health, justice and educational outcomes.

18. Each agency publishes an Equality Mainstreaming Report which sets out the action it is taking to be a more inclusive employer and to address inequality via the services it provides. For example, investment decisions are guided by considerations including: the promotion of equal pay and fair employment practices; supporting interventions which support wage growth in disadvantaged areas; and interventions which support women entrepreneurs and young people. Net zero is also a key focus for the portfolio and its public bodies.

19. VisitScotland, HIE and SOSE all have an explicit remit to invest in projects that create employment opportunities in remote and rural areas, helping to maintain and upskill local populations.

20. The policy interventions and funding decisions of SG main are also highly supportive of addressing inequalities. Key projects include the implementation of the landmark 'Pathways' report focussed on supporting more women to start and scale businesses, forthcoming legislation on community wealth building and the protection of social enterprise funding during the recent budget process.

Additional milestones

21. In addition to the work described above, the Assurance Group may also wish to be aware of the following PSR-related milestones:

- Assurance is being sought from public bodies on strategic asset planning and asset condition as part of SG's **asset strategy review.**
- **Invest to Save Fund** bids are due in February.
- Analysis of **benchmarking data on corporate functions** will complete in **March**.
- **Workforce targets** will be specified in agencies' letters of strategic guidance for 2025-26.
- PSR will be included in the **objectives set for agency chairs** for the purpose of purpose of performance management in 2025-26.

Conclusion

22. We believe that the portfolio and its public bodies have made good progress in delivering savings, improving outcomes and tackling inequalities.

23. The portfolio is committed to driving further progress and we confirm that the Chief Executives and Chairs of the relevant public bodies are supportive of this agenda.

24. Efficiency expectations will be defined within the Letters of Guidance for 2025/6. As noted, these targets will be significantly influenced by further direction from Ministers on the workforce control framework and delivery of corporate functions.

25. A series of actions are in place / are being put in place that will prepare the ground for future more comprehensive reform should there be support for doing so.

26. We look forward to the discussion and welcome the constructive challenge and advice of the Assurance Group.

Colin Cook, Director of Economic Development

Stephen O'Neill, Deputy Director, Entrepreneurship

February 2025

DOC 21

SCOTLAND'S ECONOMIC REFORM PROGRAMME

The Scottish Government is currently developing a comprehensive programme to reform economic development support in Scotland, working in partnership with our enterprise agencies and other key stakeholders.

The aim of this reform programme is to ensure that Scotland's economic development infrastructure and support mechanisms are financially sustainable and aligned with best practices from leading European economies, both in terms of impact and efficiency.

Our three key priorities for the first phase of this work are:

1. **[redacted – S29(1)(a)]**.
2. **Business Support Reform**: Designing a more efficient and streamlined model for delivering business support, with an enhanced use of technology and AI, and a sharper focus on strategic priorities and measurable return on investment.
3. **[redacted – S29(1)(a)]**.

The programme will deliver both short term cost savings and long term performance improvements as we work with partners to build a new model of economic development support.

[redacted – S29(1)(a)]

BUSINESS SUPPORT REFORM

This project aims to streamline and modernise Scotland's public sector business support system to enhance its impact, reduce costs, eliminate duplication, and improve accessibility. With over 500 public sector sources of support, the current system is inefficient and fragmented, limiting its effectiveness. The goal is to create a simpler, more targeted, and cost-effective support infrastructure that meets the evolving needs of businesses and drives economic growth.

Key objectives:

- Reduce public sector spending on business support.
- Simplify and rationalise services to eliminate duplication.
- Increase the impact of public sector investments.
- Enhance coordination among delivery partners.

This will create a more efficient, accessible, and impactful public sector business support system in Scotland. By leveraging technology, reducing duplication, and aligning efforts across stakeholders, it will support business growth and contribute to Scotland's economic success.

[redacted – S29(1)(a)]

DOC 22

MINISTERIAL ENGAGEMENT BRIEFING: IVAN MCKEE, MINISTER FOR PUBLIC FINANCE
Briefing for PSR roundtable with the Enterprise Agencies and VisitScotland

What	Roundtable to discuss the measures being taken by the enterprise agencies (EAs) and VisitScotland (VS) to improve efficiency in the short-term (including sharing services, collaborative procurement, digital delivery and sharing estates) alongside discussion of opportunities for longer-term reform.
Where	**Microsoft Teams** **Join the meeting now** Meeting ID: 395 526 591 758 Passcode: 7bATtQ
When	Tuesday 20 August 2024, 11.00 - 13.00
Key message(s)	• Grateful for agencies' efforts to date to improve efficiency and for the information shared in response to recent commissions. • The returns will help us understand the public body landscape better and identify where efficiencies can be made. • There is a need for pace when it comes to delivering Public Service Reform and I am committed to working with the leaders of our public bodies to accelerate how we work collectively to make the changes necessary to ensure our public services are fit for the future. • The current financial challenges we face make it even more critical that we ensure resources are focused on front line services and improved outcomes.
Who	Ivan McKee, Minister for Public Finance Adrian Gillespie, Chief Executive, Scottish Enterprise Stuart Black, Chief Executive, Highlands and Islands Enterprise Jane Morrison-Ross, Chief Executive, South of Scotland Enterprise Malcolm Roughead, Chief Executive, VisitScotland Vicki Miller, Director of Marketing & Digital, VisitScotland
Why	Opportunity to update the agencies' CEOs on the overarching PSR programme and to underline the importance of their contribution. Also to hear about their progress to date and any barriers they are encountering. And to get their thoughts on weaknesses in the current system and what a more coherent, and efficient system may look like.
Sensitivities	**[redacted - S30(b)(i)]]**

Expected outcome	The Minister will have a greater understanding of work underway and the challenges of further reform from the perspective of the EAs and VS.
Supporting officials	Colin Cook, Director of Economic Development Stephen O'Neill, Deputy Director, Entrepreneurship Anne-Marie Martin, Deputy Director, Regional Economic Development **[redacted – S38(1)(b)]**, Head of Economic Reform **[redacted – S38(1)(b)]**, Head of Public Bodies Support Unit **[redacted – S38(1)(b)]**, Team Leader, Public Bodies Reform **[redacted – S38(1)(b)]**, Team Leader, Scottish Enterprise Sponsor Team Although the Bank is not attending, members of the SG shareholder team have asked to observe the roundtable to assist with future discussions on PSR with the Bank.
Briefing contents	**Annex A:** Agenda **Annex B:** Opening remarks **Annex C:** Economy and Gaelic Portfolio approach to PSR **Annex D:** Summary of agencies' responses to PSR commissions **Annex E:** Data on spend (attached separately)

ANNEX A

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AGENDA

1. Introductions	11:00 - 11:05	**All**
2. Overview of PSR programme - purpose and aims	11:05 - 11:15	**Minister**
3. Short-term reform • Achievements to date and future plans - Efficiency savings and releasing resource for front-line service delivery - Shared estates, shared services, collaborative framework agreements and digital - Improving service delivery and optimising impact from available resources • Barriers to reform, how these are being addressed and where additional support most valuable • Proposals for short-term reform e.g. cross-government	11:15 - 12:15	**All**
4. Longer-term reform • What are the weaknesses in the current system that we need to improve? • What would a better, more coherent system look like? • How do we work together to create such a system?	12:15 - 12:45	**All**
5. Conclusions	12:45 - 12:55	**Minister**
6. AOB	12:55 - 13:00	**All**

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ANNEX B

Opening remarks (10 minutes)

You may wish to draw on the points below.

- The current financial situation is challenging. In the context of this and long term demographic shifts, we must take action now to ensure public services remain fiscally sustainable.

- The importance of this to Scottish Government is clear. Delivering effective and sustainable public services is one of this Government's four priorities.

- Strong public services are in turn essential in order to deliver our other priorities - growing the economy, eradicating child poverty, and tackling the climate crisis.

- Success in reform will be determined by the impact these reforms make in ensuring public services remain fiscally sustainable, while also helping deliver improved outcomes and reduced inequalities.

- Scottish Government cannot do this alone and we will work to build a consensus around this way of working, with public bodies, as well as with local government, the private sector and third sector.

- Scottish Government does, however, have a key leadership and enabling role.

- Would like to thank you all for replying to the recent commission. This was designed to provide a clearer picture of the current public body landscape.

- The scope of the commission focused primarily on one essential element of reform - ensuring as much resource as possible is directed to front-line service delivery.

- Scottish Government will keep a close focus on how public bodies bear down on back-office costs, to ensure resources are directed to front-line services that improve outcomes for the people of Scotland.

- Returns are still being analysed, but I am keen to identify where there is scope for efficiencies in the way our services are delivered - and where there is scope to combine efforts and avoid duplication.

ANNEX C

Economy and Gaelic Portfolio approach to PSR

The Economy and Gaelic portfolio's approach to public sector reform is designed to respond to three main strategic imperatives:

- the need for the public sector to respond to the current fiscal pressures by producing immediate savings - this will require public bodies to take short and medium term actions to reduce costs;
- policy orientated reform projects focused on delivering near-term improvements to efficiency and service delivery; and
- **[redacted – S29(1)(a)]**.

[redacted – S29(1)(a)]

Key actions

Key actions in support of achieving efficiencies and improving services may include:

- removal of duplication;
- focusing services on sectors and businesses who stand a realistic prospect of contributing to growth, generating the tax receipts necessary to fund public services;
- replacing analogue and in-person services with digital solutions, harnessing the power of advanced technologies where appropriate;
- rationalising the plethora of digital platforms and advisory services with a single, upgraded solution, recognising that most people would now expect a digital-first approach; and
- greater collaboration between private sector innovators and public services. For example, harnessing the discoveries of cutting edge life sciences companies to increase the effectiveness of the NHS.

Service delivery reform

The Portfolio's Public bodies are engaged in various reform projects focused on modernising approaches, reducing demand and improving services. Key examples include:

- **Business Support Partnership:** focussed on transforming the business support landscape to a more digitally enabled model;
- a new **CivTech challenge** focussed on the potential of AI to improve business support services;
- **Master Customer Record (MCR)** - a new data product that will deliver a single source of truth for business in Scotland, combining with external data sets;
- **Bord na Gaidhlig's service and leadership** as the only public body which operates through the medium of Gaelic;
- a **digital 'front door'** for all business support products and services which will simplify services for business, eliminate duplication and identify the most popular and impactful products.

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Top level commitments

Commitment	**Characteristic**
Public bodies will continue to drive efficiencies and improve productivity to meet cost pressures on an ongoing basis.	• Resources are allocated and deployed flexibility and linked to outcomes.
The work of the Business Support Partnership and related projects to simplify, modernise and improve services will be prioritised. While these will have individual delivery timelines, we would expect significant progress to have been made by August 2025.	• Services are shaped around what matters to people and communities. • Barriers to holistic support are removed. • Embracing the power of digital approaches to service delivery and empowering communities.
[redacted – S29(1)(a)]	**[redacted – S29(1)(a)]**
Reform will define an ambitious, optimised model of economic development which reduces demand for other services.	• Our system prioritises prevention. • The public service landscape is the right size and composition. • There is both individual and collective accountability for delivering outcomes.

ANNEX D

Summary of agencies' responses to PSR commissions

Efficiency savings and prioritisation have enabled the enterprise agencies to respond to Resource budget reductions of over 10% in 2023-24 and around 5% in 2024-25, whilst also facing inflation and pay award pressures. Over the last 5 years, VisitScotland has received year on year real terms funding decreases amounting to £12.2m (24% reduction).

Estate and shared services

The EAs and VS have adopted the principles of the Single Scottish Estate and have sought to rationalise holdings and co-locate where possible. SE has closed 3 offices at lease end and is moving to a model of 4 hub and 5 smaller workspaces. VS co-locates with, or sub-leases to local authorities and other public bodies. Review of HIE's space requirements at its principal office in Inverness has resulted in approximately 30% floor space becoming available for other organisations to co-locate.

The Enterprise Information Services (EIS) partnership and shared service provides a range of information technology related services on behalf of SE, HIE, SOSE and SDS. SE leads the audit shared service model on behalf of five agencies (SE, SOSE, SDS, Clyde Gateway and the SFC). SOSE uses SDS shared services for both HR and finance, alongside the EIS shared service for IT.

Digital technologies

A recent strategic review aimed to expand the benefits EIS delivers and to understand the impact of the evolving environment (e.g. SG Cloud Service). New areas such as adoption of the Power Platform and CoPilot are being co-developed.

SE is progressing the pre-commercial development of the Master Customer Record, manages the Find Business Support Website (used by 110 publicly funded providers of business support, with more than 140,000 customers in 2023-24) and has implemented Customer Voice and Live Chat to improve customer service. VS is moving to a digital first approach and is re-shaping its business advice model, with a focus on providing advice via industry facing websites and webinars.

Workforce planning and focus on front-line services

The EAs and VS continue to work towards an effective balance between front-line delivery and back office functions.

- SE - 76% of staff are customer facing. SE aims to reduce its workforce by 15% over the next 3 years through attrition.
- VS - at least 80% of its funding is spent on core business activity. FTE headcount has reduced by 24.6 on pre-pandemic level. Voluntary redundancy remains on offer.
- HIE - headcount has reduced from 276 in 2023 to 268 in 2024. HIE seeks to "insource" specialist functions using internal expertise to skill up staff to deliver more front-line activities / specialist activity, rather than having to procure specialists
- SOSE - reduced projected headcount by 30 (moving away from the planned 175 headcount to 143) and reviews hiring into vacancies on a case by case basis.

Pension scheme aggregation by HIE has resulted in reduced administration costs and reduced employer contributions, whilst protecting member benefits. In 2023/24, VisitScotland renegotiated a significant reduction in its employer contribution as well as eliminating the deficit payment requirement. This has contributed to a c.£1.5m annual saving in pension costs, although this is subject to economic conditions.

Driving continuous improvement

VS ran a full Best Value assessment programme in 2023. In addition to completing the Audit Scotland toolkits, in-depth discussions were held with subject matter experts to inform a detailed business improvement programme. HIE has a comprehensive Best Value plan. It has been proactive in sharing lessons learned on the Business Investment Framework with SG and will also input to updating the SPFM. SOSE has adopted 'learning' processes to make the agency as efficient and effective as possible and to drive a continuous improvement plan.

Opportunities for further development

In recent commissions, the EAs and VS have highlighted the following opportunities for further development.

- The VS led Oracle Focus Group has highlighted several challenges in relation to the procurement of licences and support including the inefficiency of each organisation procuring its own licences and support in line with the needs of its business.
- Public sector approach to insurance cover for property, and to cyber resilience, cyber response and cyber insurance would deliver efficiencies.
- Potential to onboard new partners to SE's audit shared service.
- Consideration of other services that could be delivered on a pan Scotland basis.
- Opportunity to build on the arrangements currently in place for shared due diligence.
- Scope an enhanced business support system that maximises data and digital technology and provides effective engagement and ease of access to universal and targeted products and services.
- Work to identify innovative and an effective procurement model for the Master Customer Record that will support a collective approach to funding and implementation.
- Collaborative procurement of soft skills programmes, e-learning and occupational health services, including employee assistance programmes.
- AI: VS has formed an AI Steering Group to help it achieve its aim to ethically harness the transformative power of AI within the organisation and the industry, to empower responsible tourism, foster innovation and drive economic growth whilst managing risk.
- BSP: opportunities for different approaches to data and analytics.

Key barriers to efficiency programmes, and potential impact if removed

The EAs have noted the following barriers.

- Non-recovery of loans scores against Resource and the enterprise agencies have to carry the risk of a future hit against already reduced Resource budgets. If risk was shared across the wider public sector, loans (and the opportunity to recycle funds back into the public purse) could be used more effectively as an intervention.

- A public sector wide solution to insurance would be more cost-effective and reduce the risk that the enterprise agencies are not able to get insurance or face very high insurance costs.
- Application of the current AO spend control process impacts the agencies' ability to deliver effectively e.g. it could result opportunities to leverage other income being missed, or lead to projects being delayed or stopped.
- A range of financial flexibilities would drive forward efficiency and allow more to be delivered within the budget envelope (detail can be provided separately).
- If the enterprise agencies are seen as first choice for delivery of funds and activity across their regions, duplication and inefficiency caused by SG delivering schemes in-house or outsourcing schemes would be avoided.
- **[redacted - S30(b)(i)]]**
- Single year budgets limit ability to make long-term decisions.

Work already achieved or in hand / further opportunities for improved effectiveness of spend	
More effective cross-portfolio and cross-public body spend, including through the Single Scottish Estate and Shared Services programmes.	*Estates* • SE has consolidated its Scottish office estate, closing 3 offices at lease end and moving to a model of 4 main hub offices and 5 smaller workspaces. Aside from its Glasgow HQ, all workplaces are co-located with other public/third sector partners or other organisations that share SE's economic development aims. • SE is a member of the SG-led Glasgow Hub project, considering options for relocation in 2028. It will work with SG's Property Team to identify appropriate co-location opportunities in Edinburgh from 2026. It will continue to look for opportunities to reduce costs overseas e.g. through further co-location with the Foreign, Commonwealth & Development Office (FCDO) and review of the current lease for Scotland House Brussels. • VS co-locates with, or sub-leases to local authorities and other public bodies in a number of locations. Since 2018, it has reduced its local office space by 5,472 square metres (58,902 square feet) by relocating to smaller premises at lease end and exiting its former HQ at Ocean Point. • HIE has also increased co-location of office accommodation with public sector partners. *Shared services* • The Enterprise Information Services (EIS) partnership and shared service provides a range of information technology related services on behalf of SE, HIE, SOSE and SDS. • SE leads the audit shared service model on behalf of five agencies (SE, SOSE, SDS, Clyde Gateway and the SFC). • SOSE uses SDS shared services for both HR and finance, alongside the EIS shared service for IT. *More effective delivery* Agencies seek to leverage external funding to supplement partnership working and increase support direct to clients. SE delivers a range of pan Scotland services (involving c. 41% SE staff): • international growth and attracting investment: SDI, Talent Scotland, GlobalScot Network, Scotland Europa Limited, Enterprise Europe Network; • supporting early-stage companies and the investment market: growth investment, financial readiness; • building competitive, productive businesses: SMAS, regional aid, capital investment and R&D (SMART), Enquiry Fulfilment and Research Service, Co-operative Development Scotland. Through its administration of the Scottish Land Fund, HIE delivers community assets across Scotland. VS leads work with public sector partners to deliver a collaborative approach to visitor management, overseen by a Strategy Steering Group which includes NatureScot, the National Park authorities, FLS, Highland Council, Police Scotland, Transport

	Scotland and SG. It continues to build a collaborative approach to Scotland's nation brand through the Brand Scotland Strategic Partnership. It collaborates with Transport Scotland and SDI to deliver a Team Scotland approach to airline route development which delivers on inbound tourism, business connectivity, export and inward investment priorities. It works with the enterprise agencies to deliver the Destination Net Zero programme which supports the tourism industry's transition to a net zero economy. VS led the way in creating a public sector Oracle Focus Group, bringing together organisations which have or are in the process of implementing Oracle Fusion and HCM to share learning and resolve issues. HIE works closely with partners to adopt a Team Scotland approach to realise significant opportunities e.g. recent inward investment activity such as Sumitomo. Partnership approach to due diligence on complex projects. SOSE has jointly funded posts with Scottish Borders Council, Dumfries & Galloway Council, Scotland Food and Drink, Zero Waste Scotland and the SFC. <u>Further opportunities</u> • The Oracle Focus Group has highlighted several challenges in relation to the procurement of licences and support. Each organisation is procuring its own licences and support in line with the needs of its business - there could be efficiencies in acting together. SG implementation of Oracle Cloud is an opportunity to bring Scottish public sector bodies together. The Group has also highlighted a recruitment challenge in relation to Oracle Cloud skills. A graduate programme servicing the whole public sector would ensure a continual flow of resource. • Public sector approach to insurance cover for property, and to cyber resilience, cyber response and cyber insurance would deliver efficiencies. • SE: potential to onboard new partners to its audit shared service. • Consideration of other pan Scotland services.
Leveraging Scottish Government and other expertise to maximise spend effectiveness within portfolios, including the effectiveness and administration of grants, and through the use of collaborative procurement frameworks	*Effective grant making* • In delivering grant funding, SE ensures that funding contributes to achieving key objectives and is not duplicative. SE expertise contributes to effective delivery of SG grant funding e.g. current work with SG on delivery of green hydrogen funding. SE has contributed to SG-led work to support a streamlining of funding pots and agree clear guidelines and criteria for applications, in order to reduce duplication of effort. • VS has recently implemented a new cloud-based grant management system to manage the events funding process from enquiry and application, through assessment and contracting, to payments and outcome reporting.

and cost-effective implementation of digital technologies	• HIE's Intervention Framework supports decision-making on financial interventions, with grant funding offered as a last resort.
	
	Collaborative procurement
	• EIS includes shared procurement arrangements with 3rd party suppliers.
	• SE regularly uses SG framework agreements e.g. Digital Technology Services Dynamic Purchasing System and collaborates with partners on procurement activity e.g. collaboration with SOSE on procurement of external tax services.
	• VS uses SG and Crown Commercial Services (CCS) framework agreements and collaborates with partners on procurement activity e.g. current arrangements with the Scottish Parliament and HES. VS will continue to explore opportunities for collaboration with other Scottish public bodies and other UK visitor bodies (Visit England / Visit Britain).
	• HIE and SOSE collaborated on the procurement of data protection advice. HIE is investigating use of SG's legal framework agreement.
	• SOSE uses collaborative framework agreements put in place by SG, CCS, Scotland Excel, SE and HIE.
	
	Digital technologies
	• Work progressed through the Business Support Partnership (BSP) includes:
	• pre commercial development of the Master Customer Record - full business case is in development to establish a technology implementation route and cost benefits, to go live by 2025;
	• Find Business Support website - used by 110 publicly funded providers of business support, with more than 140,000 customers in 2023-24;
	• partnership customer channels approach which has integrated a number of customer facing engagement channels and processes across partner operations to improve customer service, and implemented new functionality such as Customer Voice and Live Chat;
	• work to align processes and KPIs.
	  • As part of its Strategic Change Programme, VS is moving away from information provision through i-centres in favour of a digital first approach through its consumer website and social channels. It is also re-shaping its business advice model, with a focus on the provision of digital advice to businesses through its industry facing websites and webinars. VisitScotland.com and VisitScotland.org attract almost 60 million page views per year. VS has worked with SG's Scottish Digital Academy (SDA) to ensure consistent delivery of world-class digital services.
	  • Following a review of its marketing automation system, VS has moved to a different platform - Bloomreach Engagement - which has removed its reliance on a third-party provider, simplified its digital infrastructure and provided a considerable cost saving. Future phases will allow VS to further enhance its marketing automation activity.

	<u>Further opportunities</u> • Scope an enhanced business support system that maximises data and digital technology and provides effective engagement and ease of access to universal and targeted products and services. • Work to identify innovative and an effective procurement model for the Master Customer Record that will support a collective approach to funding and implementation. • Collaborative procurement of soft skills programmes, e-learning and occupational health services, including employee assistance programmes. • VS's Strategic Change Programme includes a workstream which will focus on technical infrastructure and business processes. This will include an evaluation of its digital and IT assets, establishing a clear strategy for investment to support its digital-first approach for both visitors and industry.
Opportunities to shift resources to front-line services through review of the Public Bodies landscape, sharing of back-office functions, removal of duplication and measurement of front-line to back-office spend ratios.	• SE undertakes an annual strategic workforce planning exercise to ensure it has the appropriate balance between front line delivery and back-office functions, and to inform how it will continue to manage the size, shape and affordability of the workforce. 76% of SE's staff are currently customer facing; the remainder provide the enabling services that ensure that SE meets its statutory, regulatory and contractual obligations. It aims to reduce the size of its workforce by 15% over a 3 year period through attrition and has made good progress towards achieving that target. • As a standard, VS aims to ensure that at least 80% of its funding is spent on core business activity (85% in 2022-23). In delivering the Cycling World Championships, VS corporate functions provided all back-office services for the delivery company to ensure that it maximised efficiencies through the use of shared services in these areas. It has reduced its FTE headcount by 24.6 from the pre-pandemic level and is continuing to offer voluntary redundancy. • Through its workforce plan, HIE is focused on reducing the resource devoted to back-office functions and increasing the number of staff delivering front-line activities. It is also seeking to 'insource' specialist functions, using internal expertise to skill up staff to deliver more front line activities / specialist activity, rather than having to procure specialists. Where possible, back-office functions are dispersed to fragile areas e.g. Benbecula, Caithness, Argyll. HIE's headcount has reduced from 276 in 2023 to 268 in 2024. • SOSE is implementing its reviews on hiring into vacancies and grading. It has reduced projected headcount by 30 (moving away from the planned 175 headcount to 143) and reviews hiring into vacancies on a case by case basis. <u>Further opportunities</u> • Opportunity to build on the arrangements currently in place for shared due diligence.
Ensuring public bodies are implementing 'best practice' and driving Continuous	SE benchmarks many of its internal services against external best practice. It is a Disability Confident Employer, a Carer Positive Employer and an Investors in Young People Gold Employer. Its Internal Audit Team is subject to regular external

Improvement, including implementation of standardised assessments of organisational effectiveness and performance.	quality assessment by the Institute of Internal Auditors. It holds ISO140001 for its environmental practices. Its H&S function annually achieves the RoSPA H&S Achievement Award. All of these standards include a requirement for continuous improvement which supports organisational effectiveness and performance. VS ran a full Best Value assessment programme in 2023. In addition to completing the Audit Scotland toolkits, in-depth discussions were held with subject matter experts to inform a detailed business improvement programme. Robust processes are in place to assess proposed changes in technology. VS has achieved Cyber Essentials and Cyber Essentials Plus Certification and continues to enhance security controls in line with updates from the National Cyber Security Centre and Scottish Government cyber security framework. HIE has a comprehensive Best Value plan. It has been proactive in sharing lessons learned on the Business Investment Framework with SG and will also input to updating the SPFM. SOSE has adopted 'leaning' processes to make the agency as efficient and effective as possible and to drive a continuous improvement plan. <u>Further opportunities</u> • Creation of a supportive and consistent risk appetite environment. • Focus on sharing subsidy control good practice, including leadership on schemes.
Productivity improvements, including as a first step ensuring that appropriate productivity measures and productivity improvement plans and targets are in place.	SE has organisational targets and milestones in place which are agreed annually with the Board. It has an employee performance management system in place which facilitates the cascade of SMART objectives to ensure that all colleagues understand what is expected of them and how this contributes to overall organisational performance. All VS activity is approved through its Activity Business Case process, which ensures that a full justification is provided for each activity with detailed milestones, outputs (including potential impact) and a breakdown of budget requirements. Progress on activity is reported on at every Board meeting (8 times a year). VS reports on its Net Economic Impact (NEI) in its annual reports. HIE tracks metrics through its Best Value plan. Its workforce plan focuses on doing things differently and tracking efficiencies.

	Regular analysis, monitoring and reporting on the primary measures in SOSE's performance measurement framework will enable informed decision-making and allow SOSE to create a baseline for identifying productivity improvements. SOSE is working with Autonomy to evaluate the impact of its 4DWW pilot on productivity. <u>Further opportunities</u> • AI: VS has formed an AI Steering Group to help it achieve its aim to ethically harness the transformative power of AI within the organisation and the industry, to empower responsible tourism, foster innovation and drive economic growth whilst managing risk. • BSP: opportunities for different approaches to data and analytics.
Reformed digital public services, including through reuse of digital components and infrastructure to increase the pace of change and reduce cost.	SE, HIE, SOSE: core IT and related enabling services are delivered by the EIS shared service. This ensures the delivery of standardised services efficiently and economically to all partners. A recent strategic review aimed to expand the benefits EIS delivers and to understand the impact of the evolving environment (e.g. SG Cloud Service). New areas such as adoption of the Power Platform and CoPilot are being co-developed. SE, HIE: workstreams being delivered through the BSP, including the Master Customer Record and Data Spine. SE is actively participating in digital-related PSR fora, e.g. the cluster examining shared solutions for 'digital licensing' (with the potential for this to grow into general application systems, such as for online grant applications). VS has a design system and component library which facilitate re-use of components and patterns in its digital solutions, allowing it to use resources more efficiently and to focus effort on user needs. It uses cloud-based tools for the majority of its collaborative digital processes such as Miro, Jira and Confluence. Its Azure and AWS cloud platforms facilitate re-using digital infrastructure for new and existing services.

Optimal deployment of the workforce, within and across public bodies	• SE's People Strategy (2024-2027) supports delivery of corporate priorities and its overall organisational ambition. As part of that strategy, it is reviewing the size and shape of the organisation to optimise delivery of SE's 3 missions. It will be identifying roles which are critical to delivery, roles which could be delivered in different ways and roles which are non-core and where incumbents could be better deployed to support operational delivery. • VS has a highly adaptable workforce. During the pandemic, 230 VS staff were redeployed to help with the administration of business recovery funds. In order to maintain a flexible and skilled workforce, it undertakes careful management of its headcount. • HIE's workforce plan is regularly reviewed by its leadership team to ensure alignment of resource with HIE's priorities and gaps. Strict vacancy management principles include protection of the front line and a presumption against external recruitment. Efficiencies are captured and monitored. HIE has seconded staff to SG to support the Digital Team and has deployed resource to work with Highland Council on delivery of Science Skills Academy. Significant resource has also been deployed to Cairngorm Mountain, as a national asset. • SOSE recognises (and is beginning to measure) the value of its staff in sharing expertise and providing advice to enterprises across the region (going beyond financial assistance) and delivering consultancy type advisory services without displacement. <u>Future opportunities</u> • Through its strategic change programme, VS will continue to shape its marketing, events and industry advice activities to deliver what is needed now and in the future. • HIE is keen to continue dispersing back-office functions to fragile areas and potentially identify shared services opportunities. It encourages other public sector bodies to consider dispersal and has challenged EIS to base some staff in the Highlands and Islands. • SG support to cover the cost impact of non-recoverable vat in relation to secondments.

ANNEX E

Data on spend

Attached separately.

DOC 23

Roundtable – Minister for Public Finance and the CEOs of Enterprise Agencies and Visit Scotland. Tuesday 20th August 2024: 11 am – 1 pm on Microsoft Teams

Attendees

Minister and CEOs	**Officials**
Ivan McKee, Minister for Public Finance	Colin Cook, Director of Economic Development
Adrian Gillespie, Chief Executive, Scottish Enterprise	Stephen O'Neill, Deputy Director, Entrepreneurship
Stuart Black, Chief Executive, Highlands and Islands Enterprise	Anne-Marie Martin, Deputy Director, Regional Economic Development
Jane Morrison-Ross, Chief Executive, South of Scotland Enterprise	**[redacted – S38(1)(b)]**, Head of Economic Reform
Malcolm Roughead, Chief Executive, VisitScotland	**[redacted – S38(1)(b)]**, Head of Public Bodies Support Unit
Vicki Miller, Director of Marketing & Digital, VisitScotland	**[redacted – S38(1)(b)]**, Scottish Enterprise Sponsor Team

Actions

1. Visit Scotland –to provide a rough assessment of the savings that may be generated from a Compulsory Redundancy Scheme
2. DED to provide a series of short submissions on financial flexibilities including : flexibility in AO process and in particular on re-purposing ; income retention; scoring of loans to RDEL;
3. DED to get an update on the position with the Green Hydrogen Fund
4. DED to look into opportunities to generate savings from insurance.
5. DED to produce one page overview of what SG does and what EAs do as a means of clarifying the relationship between.
6. SE to provide a list of the grant fund streams available to businesses, estimated at around 500 "products"

Welcome and Opening Remarks

The Minister welcomed all to the meeting and expressed his gratitude for the Public Service Reform (PSR) work undertaken by all to date. He noted the significant financial challenges ahead and the need to have an effective economic development landscape, which harnesses a Team Scotland approach to generate further tax revenues to deliver public services. He noted that some sectors of the economy do not sit within DGE and the challenges this can create. This session and subsequent discussions should identify new ideas and opportunities for improved efficiency and effectiveness noting the opportunities in procurement, broader adoption of digital services amongst many others.

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Short-Term Changes

CEOs were invited to describe their recent improvements they have made to improve efficiency. MR noted a reduction of almost 59,000 sq ft in office space and a greater emphasis on co-location, reductions in workforce, emphasis on in-house capacity compared to use of suppliers and a focus on digital or cloud first. Staff travel has been reduced on both financial and environmental sustainability grounds. VS has a voluntary redundancy scheme in place, to date a small number of people have sought this. Closure of the Visitor Information Centres is likely to increase the number of people considering this. **[Redacted – out of scope]**

Adrian observed that it is difficult to separate long and short-term improvements. Offices have closed when leases have expired and this has generated an annual saving of £1.4 million with no negative impacts, but some helpful cultural changes driven by a hub approach. Key driver of SE's change is focusing on areas where SE makes the greatest value add – international, innovation and investment, and this has been wrapped into SE's missions based approach. SE has undergone a strategic refocusing of its activities and recently completed a governance review to consider how it can be more agile.

SE produced a People Strategy to consider skills required, performance frameworks and the need for digital skillsets. **[redacted - S30(b)(i)]]** Finance strategy produced to consider how more resource can be generated from other sources e.g. Innovate UK, investments and disposal of assets. **[redacted – S30(b)(ii)]**

SE is currently considering the use of AI and how this could help with labour intensive tasks such as sanctions and diligence checks. Good links between SE and SG and CivTech and there is a need to find the right solutions for SE.

AG commented on the different philosophy across SG on delivery of programmes and noted that there is scope for duplication of effort and delay in delivery arising from this. CC noted that that interface between SE and SG is becoming more complex **[redacted - S30(b)(i)]]**

IM noted that there are many funds under development / in play focused on Energy and driving economic development. Keen to see what change can be made to maximise impact and reduce blockages.

CC noted that there should be an ambition to give EAs more flexibility to generate, keep and re-spend in the longer-term.

SB noted that HIE is now sharing more office accommodation with other parts of the public sector and has been collaborating with SOSE on a digital interaction point with businesses (MyHIE and MySOSE). Workforce has reduced by 10% with a shift towards modern apprentices,

graduates and more under 35s. This has reduced salary bill and introduced new ideas. 40% reduction in travel budget and a drive to generate external revenue noted, with the latter related to sponsorship from SSE and others.

Three asks for the future: i) multi-year budgets ii) remove need for AO approval iii) remove scoring loans that go bad against resource budget.

IM asked about the latter point and in particular loans v grants. SB clarified that the Bank has cover for loans that fail and if applied to the EA this would be helpful as when loans are written off it reduces revenue. SB and others also noted that when equity exits are generated, these are typically returned to the Centre / to HMT if via FTs. Request for this to be looked at.

[redacted – S30(b)(ii)]

SB noted that insurance is very expensive and there must be opportunities across the public sector to create efficiencies.

SOSE

AMR noted that SoSE was set up with a growth trajectory but due to no growth budget, structure and strategy has been revised. Headcount frozen and voluntary redundancy difficult due to age and stage of SoSE. **[redacted - S30(b)(i)]]** All vacancies looked at on case by case basis. 90% of staff are customer facing, not displacing consultancy services as many businesses are not at the stage of engaging consultancy. SOSE delivering around £4.7m of consultancy support.

SOSE delivers Business Gateway for Scottish Borders Council. **[redacted - S30(b)(i)]]** Housing Strategy and Plan has been prepared with the Regional Economic Partnership. Place based development is very important in the south, and SOSE works with partners on this and related components such as Community Wealth Building.

IM noted SOSE's work on Business Gateway and recognised important that SE avoids working closely with mass business – effective for BG to continue doing this in SE areas.

Longer-Term Reform

SO provided an overview of the DGE PSR programme noting dedicated resource will be available shortly and the challenging financial situation. There is a fundamental question on how we can make the system that has evolved, not been designed, better. Opportunities for revenue raising and need to look at how SE and others can keep equity returns. Important to consider how strategy is set and how we

collectively work together to deliver. SO suggested a phased approach i) focus on clarity on accountability, coherence and strategic approach ii) revenue raising.

AG agreed – clarifying and embedding accountability and improving relationships and cultural issues are free. Stronger sense of teamwork and **[redacted - S30(b)(i)]]**would be helpful. **[redacted - S30(b)(i)]]**

CC agreed that there is some confusion on delivery and blurring of lines. SB noted that Sumitomo is an example of how we can do things collaboratively and well.

On creating a clearer, better system; AG noted that it is important to rationalise funding and how it gets to delivery with more focus on metrics around delivery.

[redacted – S30(b)(ii)]

Conclusion

IM thanked everyone for their attendance and contribution and noted that he was keen to have a follow up meeting in weeks rather than months.

DOC 24

PORTFOLIO: ECONOMY

Strategic narrative

1. The economy portfolio's approach to public sector reform is designed to respond to three strategic imperatives:

- The need for the public sector to respond to the current fiscal pressures by producing immediate savings. This will require public bodies to take short-term actions to reduce costs. Specific examples of such activity is provided in the table below;
- policy orientated reform projects focussed on delivering near-term improvements to efficiency and service delivery; and
- the design of a more ambitious, longer-term programme that will consider bolder reforms.

This longer term programme is the most ambitious component of the plan. Like other areas of the public sector, the Scottish economic development landscape is complex and multi-faceted, comprising numerous institutions and programmes, often with divergent strategic aims, delivery models and operating at local, regional and national level. While many of these programmes produce good results, there is evidence that the Scottish system may be large in comparison to similar countries and, having evolved over many years, perhaps lacks the simplicity of design enjoyed by comparable small, progressive economies. In our view, the time is right to review whether the design of the Scottish system is optimal and public sector partners have committed to work with the Scottish Government to approach reform imaginatively and with a willingness to consider significant change.

This will involve international comparisons, analysis of data on the Scottish system and a series of structured conversations with Ministers, public sector leaders and key figures in business and investment. We will also take account of the potential for a more effective economic development system to reduce demand for key public services. In addition to expanding the tax base, employment, prosperity and a growing economy are powerful weapons to combat poverty, reduce social security expenditure and to improve health and educational outcomes.

Key components of reform activity

Area	***Actions***
Efficiency and Effectiveness	The economy part of my portfolio has lead responsibility for the following public bodies: • Scottish Enterprise (SE) • Highlands and Islands Enterprise (HiE)

	• South of Scotland Enterprise (SoSE) • Visit Scotland (VS) • Scottish National Investment Bank (SNIB) In response to a challenging environment, each of these bodies is pursuing its own programme of reform. Specific examples include: • reducing headcount through natural attrition, expiration of contracts for sub-contracted services and, in some cases, relatively small scale voluntary redundancy schemes; • rationalising estates and reducing other fixed cost liabilities; and revising corporate strategies to adjust to new fiscal realities. • SE, for example, has already reduced its headcount by 6% on pre-Covid levels. As part of wider corporate transformation, it is planning a further 5% annual reduction in headcount. It has closed a number of its offices in Scotland in order to reduce fixed costs. • Highlands and Islands Enterprise (HIE) has reduced headcount by 3% since 2022 and has made efficiencies through co-location with other public sector organisations. • Visit Scotland has a voluntary redundancy scheme in place which is gradual reducing headcount and has relocated its Edinburgh Head Office to shared premises with City of Edinburgh Council. • SNIB employs a lean staffing strategy and employs around 80 people.
Service improvement and demand reduction	In addition to the efficiency measures described above, all public bodies are engaged in various reform projects focussed on modernising approaches, reducing demand and improving services. Key examples include:

	• **Business Support Partnership:** focussed on transforming the business support landscape to a more digitally enabled model. Key workstreams include: ➢ the **Master Customer Record (MCR)** is a new data product that will deliver a single source of truth for business in Scotland, combining with external data sets. The MCR will enable us to see how much support businesses have had from the public sector and the impact on turnover and profitability. It will also provide the capacity to undertake sectoral, cluster and regional comparisons – powerful economic data that can be used to inform policymaking. ➢ **A digital 'front door'** for all business support products and services which will simplify services for business, eliminate duplication and identify the most popular and impactful products. • **Regional Economic Policy Reform.** The Regional Economic Policy Review set out a series of actions designed to strengthen the contribution made by regions to the National Strategy for Economic Transformation. Green Freeports and Investment Zones have been introduced in conjunction with UK Government and action is being taken to strengthen the capability of Scotland's 8 Regional Economic Partnerships through the development of Regional Intelligence Hubs.
Prevention & relationship	A vibrant economy strongly correlates with improved outcomes across domains such as health, education and justice. In addition, expenditure on public services e.g. health, housing and

with public services	infrastructure could be optimised to provide stimulus to the economy. Our reform programme will explore these opportunities with colleagues across the broader public sector.
Longer-term reform	This work will focus on designing an optimised model, examining opportunities such as: • Size and structures • Accountability for delivery • Revenue raising • Place based delivery • Harnessing advanced technologies to improve service delivery

Top level commitments

Commitment	**Characteristic**
Public bodies will continue to drive efficiencies to meet cost pressures on an ongoing basis.	• Resources are allocated and deployed flexibility and linked to outcomes
The work of the Business Support Partnership and related projects to simplify, modernise and improve services will be prioritised.	• Services are shaped around what matters to people and communities • Barriers to holistic support are removed • Embracing the power of digital approaches to service delivery and empowering communities.
[redacted – S29(1)(a)]	• Progress and performance are evidenced and actively managed
Reform will define an ambitious, optimised model of economic	• Our system prioritises prevention

development which reduces demand for other services.	• The public service landscape is the right size and composition • There is both individual and collective accountability for delivering outcomes

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The enterprise agencies understand the current and future budgetary constraints across the public sector and are committed to pursuing the aims of the PSR programme.

- They have provided written assurance that they are taking all steps possible to ensure that the services they provide and outcomes they support will be delivered as efficiently as possible in 2024-25.
- They are also engaged in collaborative activity through the Business Support Partnership and other work with Scottish Government to shape a programme of cross agency reform.

The enterprise agencies are already re-structuring and re-focusing activity in order to live within forecast budgets, whilst improving outcomes.

- It is imperative that the agencies prioritise interventions that will help create economic growth, attract investment, and contribute to building an innovative and diverse economy.
- As Cabinet colleagues will be aware, funding allocated to the enterprise agencies is used to grow and strengthen Scotland's wellbeing economy (and thereby grow the tax base) and delivers government objectives across a range of portfolios.
- SE has already reduced its headcount by 6% on pre-Covid levels (was 1256, now 1181) and will shortly launch its new corporate plan, focused on areas in which it can have the most impact.

The agencies have been taking steps to identify efficiencies and achieve savings.

- As part of wider corporate transformation, SE is planning a 5% annual reduction in headcount. **[redacted - S30(b)(i)]]** It has closed a number of its offices in Scotland in order to reduce fixed costs.
- HIE has made efficiencies through co-location with other public sector organisations. Its Workforce Planning Group scrutinises all proposed recruitment, and has been successful in delivering savings from post deletions and grade reviews. Its efficiency group challenges all significant non-pay expenditure.
- Following organisational review and re-structuring, SOSE is holding core staff numbers at 145. It has around 15 externally funded posts e.g. its circular economy post in partnership with Zero Waste Scotland, and continues to identify opportunities for jointly developing posts.

We have done a considerable amount of work, as part of the Budget 2024-25 process, to scrutinise the agencies' funding requirements.

- Last year, indicative allocations were shared with the enterprise agencies following the Resource Spending Review, to inform their operational planning.
- These indicative allocations were predicated on reductions of 10.4% in 2023-24, 15.9% in 2024-25, 12.6% in 2025-26 and 15.8% in 2026-27, based on 2022-23 budgets.

The agencies are focused on maximising income within their current operating models.

- The agencies generate income from a number of sources, including income from their property portfolios, income from investment exits, EU income and project contributions from partners.
- Their business income is typically re-invested in the economy or returned to SG.
- Anticipated reductions to the agencies' core allocations in 2024-25 and beyond will require them to use some of their income to offset their running costs.

Work is underway, linked to the PSR agenda, to scope a programme to reform the way in which economic development support is delivered in Scotland.

- This will look at rationalising business support and funding activities. Whether the operating models and ways of working of the agencies can be more commercially focussed will also be considered as part of this wider reform programme.
- In addition, work is continuing, through the Business Support Partnership, to ensure rapid progress on the development of the Master Customer Record and a common digital offer for business.
- We are taking forward a Capital for Growth Review and planning for implementation of the Investment Panel recommendations.
- We are working closely with other portfolios, including on implementation of the Withers review which will require careful allocation of resource to reflect additional responsibilities for the enterprise agencies.

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ECONOMIC REFORM – BRIEFING JULY 2024

DG Economy approach – three areas of activity

a) Actions proposed by public bodies over the short-term to manage immediate budget pressures.
b) Policy orientated projects initiated and led from Government to reform and improve services.
c) **[redacted – S29(1)(a)]**.

[redacted – S29(1)(a)]

a) **[redacted – S29(1)(a)]**

b) **[redacted – S29(1)(a)]**

c) *Place Based Delivery*. Focused on realising the benefits of the Regional Economic Policy Review to ensure that regions have the capacity and capability to identify and deliver regional priorities, leverage UK Government and other funding sources

d) *Technology and service delivery.* Focussed on harnessing data and advanced technologies to modernise service delivery and policymaking.

e) *Estates, capital assets and shared services.* To what extent is there scope to reduce estate costs and to examine options for expanding the range and quality of shared corporate and digital services across public bodies?

f) *Distribution of Ministerial policy responsibilities.* There are numerous SG delivery programmes and budget lines with an explicitly economic development / innovation focus that do not sit in current Ministerial portfolio or the DG Economy structure like: agriculture, food and drink, health and care and corporate services.

g) *Leveraging public service delivery.* Public service reform provides opportunities to maximise economic impact on innovation, Scottish start-ups and wider economic decisions on housing, transport or local community infrastructure encompassed by economic development plans.

h) *Revenue raising.* Finance programmes such as the Scottish Growth Scheme and the equity investments made by SNIB and SE in scaling companies may offer opportunities for public bodies to revenue raise and become less reliant on central government funding.

Next steps

- Build resource within DG Economy to take forward this work.
- Brief public bodies on the objectives set by Scottish Ministers.
- Engage with public bodies on design of the reform programme using a ‘cluster’ approach.
- Aim will be to set a new vision and target operating model for economic development activity, focused on services that have the most impact in driving economic growth whilst improving efficiency and reducing costs.

DOC 27

Minister for Higher and Further Education; and
Minister for Veterans
Graeme Dey MSP

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25 June 2024

Dear Convener,

UPDATE TO EDUCATION COMMITTEE – POST SCHOOL REFORM

Following my previous correspondence of 27 March 2024 where I provided an update on post-school reform work ongoing in the Scottish Government, I write to you today to provide a further update on reform and continuous improvement of the post-school education and skills system.

Simplification of the funding body landscape

One of the most significant structural recommendations of both the Withers Review and the Purpose and Principles was to simplify the funding body landscape for the post-school system. In my statement in December, I did not rule out a single funding body, as recommended by James Withers, but I did commit to bringing learner support funding together in one place, and funding for apprenticeship provision together in one place.

Detailed work has been underway since my statement to examine the options to deliver this commitment. I am pleased to update the committee on the progress made to date and the next steps to deliver this.

In taking forward this work it has been important to use the available evidence and to consider the widest range of options available before arriving at a shortlist to be taken forward for further, detailed development. To do this, officials have completed a Strategic Outline Case for this work, following the HM Treasury Green Book Guidance as their framework for development.

All available options were considered based on their ability to deliver the following objectives:

1. To simplify operational responsibility across the post-school funding body landscape – ensuring fairness, transparency and maximising value for public investment.

2. To reduce costs and increase efficiencies in the operation of the system – enabling more of the investment made by the Scottish Government to flow directly to learners and employers by reducing the costs of administering the system.

3. To improve availability and quality of data collection to inform investment decisions, skills planning priorities and careers advice - ensuring the system is more responsive to the needs of learners, employers, the economy and society.
4. To enable targeted and equitable distribution of funding to support the learner - ensuring that people, at every stage in life, have the opportunity and means to develop the skills, knowledge, values and attributes to fulfil their potential and to make a meaningful contribution to society.

Based on this assessment, two options were deemed feasible and sufficiently meet the required criteria to be progressed to outline business case stage.

These two shortlisted options will be progressed to assess their value and deliverability alongside the baseline of maintaining the system in its current form without structural changes.

These options are:

- To consolidate all funding for provision within the Scottish Funding Council and all funding for student support within the Student Awards Agency Scotland.
- To consolidate all funding for provision and student support within the Scottish Funding Council.

Both of the options outlined above, alongside a third, baseline “business as usual” option, will be taken forward to a full outline business case. We expect this work to continue into Winter 2024.

Consultation on legislation

In parallel to this work continuing, we are launching a consultation later today on proposals for legislation needed to simplify the funding body landscape. The Bill will make the changes to legislation to enable responsibility for securing and funding all forms of post-school learning, including apprenticeships, to be brought into one place. Taken together with the development of new policies and approaches, this will facilitate different ways of delivering apprenticeships (and student support) so that the system is easier for learners to navigate. It will also help to ensure people have access to the skills and training that employers need. The consultation paper will be available here. The consultation closes on Friday 20 September 2024.

Next Steps

Officials will be inviting stakeholders from across the system, in particular our public bodies, to join technical working groups in Summer 2024 to bring their subject matter expertise to the further development of the shortlisted options. This evidence will be considered alongside responses to the consultation by Ministers in their decisions on next steps.

I recognise that consultation on options that propose a change to where responsibilities sit within the public bodies landscape introduces uncertainty for the staff currently working within

those bodies. Careful consideration will be given to what this will look like for staffing and other administrative provision as work to flesh out the detail of these options continues. This will include detailed work with affected bodies, their trade unions and their staff, aligned to the principles of Fair Work.

Wider Reform of the Post School Education and Skills System

In addition to the action outlined above, we have also made progress across a range of other work to improve and reform the post school education and skills system. In many cases, this involves my officials working closely with teams leading on Education Reform. To support this, the Cabinet Secretary has established an Education and Skills Reform Ministerial Group which brings together partners working in schools and in the post-school system, to support and challenge us in looking at reform issues right across the system.

I have set out a summary of post-school and skills progress below, together with further information (at Annex A) on how we are responding to the recommendations in James Withers' Independent Review of the Skills Delivery Landscape.

Skills Planning

This reform activity directly contributes towards our aim of making the education and skills provision more responsive to Scotland's strategic skills needs. Cross-government work on skills planning has begun and will inform the design of new national skills planning processes by March 2025. A Scottish Government led skills planning function will help develop a better understanding of skills needs at the national level, and how we can better address them, particularly where solutions lie within the education and skills system. This work will be critical in ensuring we meet one of the key aims of our work: to ensure that the system is more responsive and in a better position to meet our economic, environmental and social needs and ambitions.

My officials continue to engage relevant stakeholders on developing a future approach to regional skills planning, particularly through Regional Economic Partnerships, where colleges, universities, employers, local authorities, and enterprise agencies are already deliberating skills priorities according to their local strategies. I have been clear that any work in this area should build on the good practice found across the system, and the efforts made by SDS and SFC to date. We intend to share a set of guidelines for developing a robust approach to regional skills planning by September, after duly considering the inputs we are receiving from stakeholders in this regard over the summer. Regional skills planning will inform and be informed by national skills priorities.

Apprenticeships

The aim of apprenticeship reform is to: reduce the complexity of the existing apprenticeship system; make it more transparent and maximise the value of investment to learners and the economy.

Work is underway to develop an evidence base for the work to improve the apprenticeship models for Foundation, Modern and Graduate Apprenticeships. We expect this work to take until the end of the year. We will then work with stakeholders and learners to build on the strengths and make improvements to the models over the next few years.

Careers

I have outlined to Committee previously the importance I place on good quality careers information advice and guidance to help support people make informed choices. I have also set out that through the current careers offer, the work of DYW and mentoring offered by partners including Career Ready that the foundations are already in place.

My immediate focus remains on developing a clearer, coherent offer for learners and also looking to build clearer pathways for employers to support and be involved in shaping the support provided. This does not rule out structural changes to careers delivery and I will continue to give further thought as to how best to work with key partners, including the members of the Careers Services Collaborative, to develop an offer that is truly user and learner focused: ensuring that those requiring support are enabled to make choices that will lead to fair and sustainable work and rewarding careers that contribute to our economy and society.

Post School Qualifications

The Education (Scotland) Bill, which will establish the new qualifications body, Qualifications Scotland, was introduced to the Scottish Parliament on Wednesday 5 June 2024. This will see Qualifications Scotland replace the SQA. It is expected to become operational in Autumn 2025. My officials are working with stakeholders including SQA to build up an understanding of the post-school qualifications landscape and to define the oversight role for the new qualifications body, as set out in the Purpose and Principles. The aim of this is to is to deliver the agility in the system that we will require moving forward and ensure that post school qualifications deliver the very best outcomes for learners and the economy.

Independent Review of CLD

The Independent Review of Community Learning and Development (CLD) led by Kate Still which started in December 2023 is ongoing and will be published this summer. This review has examined the extent to which CLD is delivering positive outcomes for some of Scotland's most vulnerable learners and marginalised groups.

Consultation on Reform of College Regional Boards

As I announced in Parliament on 16 May 2024, we are starting a process to consider reforming the regional bodies in Glasgow and Lanarkshire. A consultation paper on the future of the regional strategic bodies in the Glasgow and Lanarkshire college regions was launched on 17 June. The consultation provides an opportunity for consultees to consider the costs and benefits of dissolution as well as to put forward proposals for future regional collaboration to ensure streamlined learner pathways and effective regional skills planning and provision. This consultation will close on Friday 20 September.

Student Support

On 12 December 2023, I announced that for the 2024-25 academic year we would be providing a £2,400 uplift to the higher education student support packages, bringing support up to £11,400 for students from the lowest income households. This uplift represents the third and final step in delivering a total package of student support equivalent to the Living Wage as committed to in the 2021-22 Programme for Government.

Recognising there is room for improvement with regards to parity of support on offer to learners, there is work underway to review the support available for those studying part time or flexibly, which we committed to in the 2023-24 Programme for Government. Once we have completed this evidence gathering phase, options to address any issues identified will be developed, ensuring that any future changes are both fair and sustainable.

In addition to the work being led by the Scottish Government, the Committee will wish to note the on-going work on the part of our public bodies to deliver continuous improvement across the system. Examples include the ongoing development of online resources in My World of Work by SDS and the introduction of a new Outcomes Framework and Assurance Model by SFC.

Conclusion

My officials recognise the importance of partnership working across the post-school landscape and system to get this right. We will continue to engage with relevant stakeholders as this work develops further.

I also look forward to continuing to work constructively with the Committee on the post-school education reform agenda and would be happy to consider further Parliamentary exploration when Parliament returns after the summer break.

Given the range of interests in post-school reform, I am sharing this update with the Economy and Fair Work Committee and the Public Audit Committee.

Yours sincerely

GRAEME DEY MSP
Minister for Higher and Further Education; and Minister for Veterans

Independent review of Scotland's skills delivery landscape

Ministers issued a response to James Withers' Independent Review of the Skills Delivery Landscape on 6 December 2023 as part of a statement to Parliament. Ministers have clearly indicated in communications that, in the publication of the Purpose and Principles Initial Priorities, we have accepted the premise of much of what was recommended in the Withers Review.

The recommendations in the Review, alongside other evidence, informed the position on key areas in the Purpose and Principles which arrived at broadly the same conclusions around the challenges in the system and the actions required to improve it.

We have set out in the table below where the actions and next steps to which Ministers committed in the Initial Priorities mirror the direction of travel recommended by Withers. These indicate where we have accepted the premise of the recommendation within the Withers Review and have either taken action, are considering options or have yet to take action.

Withers' Recommendations	SG Current Position
New culture of leadership from Scottish Government (Recommendation 1).	**PREMISE ACCEPTED – ACTION TAKEN** The position adopted by Ministers since the Withers Review has demonstrated commitment to bolder and more holistic leadership from the Scottish Government. The Purpose and Principles for Post-School Education, Skills and Research sets out the Scottish Government vision and long-term outcomes for our post-school education system in Scotland. The new governance that we have put in place for the education and skills reform programmes will enable Ministers to drive forward progress in line with these outcomes and demonstrates the importance we place on looking at post-school and skills reform alongside school age education reform. The governance includes a Chief Executive Forum which will build a consistent approach to education and skills reform in line with wider Public Sector Reform ambitions.
Define success and end the division in language and philosophy (Recommendation 2).	**PREMISE ACCEPTED – ACTION TAKEN** A shared lexicon was developed and published alongside the Purpose and Principles for Post-School Education, Research and Skills in June 2023. This begins to address challenges around the use of language. The shared, system-level outcomes detailed in the Logic Models for the Purpose and Principles will enable clear and consistent evaluation and monitoring of post-school performance which will help to evidence decisions and end divisions in philosophy. Read-across to school education will be essential for this to succeed.

To move responsibility for national skills planning from Skills Development Scotland (SDS) and Scottish Funding Council (SFC) to the Scottish Government. (Recommendation 3)	**PREMISE ACCEPTED – ACTION TAKEN** The Initial Priorities Paper that accompanied the publication of the Scottish Government's Purpose and Principles for Post-School Education, Research and Skills includes a **commitment 'to take responsibility for skills planning – developing an approach at a national level that works with partners to set clear priorities'**. Significant work has started on the commitment we have made for the Scottish Government to lead skills planning at the national level. The Minister for Higher Education, Further Education and Veterans has led numerous discussions with Ministerial colleagues, employers, colleges, universities and other stakeholders about how skills planning should be approached in the future. Officials are aiming to complete an exercise across Scottish Government portfolios this summer to develop a better understanding of specific skills needs and how we can address them. This activity is a key first step and will help us develop a better understanding about future skills needs. The insights that policy teams share will help assess potential changes in provision across the system to address skills shortages, and how we engage with the Scottish Funding Council and institutions on future provision. These insights will also help identify issues besides skills that are causing labour shortages, which we can highlight with relevant colleagues and partners. This exercise will inform the design of new national skills planning processes by March 2025.
The Scottish Government to oversee sector and regional skills needs and establish a template for regional skills planning, enabling regional partners to respond to local needs (Recommendations 3 and 4).	**PREMISE ACCEPTED – ACTION TAKEN** Linked to our commitment to take responsibility for skills planning, the Initial Priorities Paper that accompanied the publication of the Scottish Government's Purpose and Principles for Post-School Education, Research and Skills includes a **commitment to regional skills planning approaches that builds on existing regional economic partnerships and has employers and local providers, in particular colleges, at the centre'.** Work has commenced on determining how skills planning could be strengthened at regional levels, so that key stakeholders at local levels can better respond to skills needs according to regional ambitions, whilst remaining aligned with national priorities. Ministers and officials have engaged with the Regional Economic Partnership Network, where colleges, universities, employers, enterprise agencies, and local authorities are represented. Views are being gathered from colleges and various Regional Economic Partnerships on a future approach,

	and to identify good practices already in place that can be built on. Further information for partners on the approach to regional skills planning will follow later in the year, starting with a set of guidelines we could use for regional skills planning by this Autumn.
To establish a new single funding body, which brings together responsibility for all post-school learning and training funding functions from SFC, SDS and, potentially, the Student Awards Agency for Scotland (SAAS). (Recommendation 5)	**PREMISE ACCEPTED – ACTION TAKEN** The Initial Priorities Paper that accompanied the publication of the Scottish Government's Purpose and Principles for Post-School Education, Research and Skills includes a **commitment 'to investigate the options to deliver a single funding body, including tuition and living cost support, paying regard to issues such as the status and scope of the body's responsibilities'.** The funding landscape for post-school education and skills is extremely complex and fragmented. A strategic outline case has been developed, following HMT Green Book guidance, exploring all potential options to deliver simplification of the funding body landscape, up to and including a single funding body. This work is now ready to progress to outline business case stage, with the input of public bodies and stakeholders, to determine which of the shortlisted options will be the preferred way forward. Delivery of the shortlisted options would require changes to legislation. A consultation on these options is being published on 25 June and will be open until 20 September. Consideration of the consultation responses as well as the work of technical working groups to develop the outline business case will enable the identification of a preferred way forward.
Build a new model of funding for post-school learning provision, with simplicity and parity of esteem as core values (Recommendation 6).	**PREMISE ACCEPTED – DELIVERY OPTIONS UNDER CONSIDERATION** The Initial Priorities Paper that accompanied the publication of the Scottish Government's Purpose and Principles for Post-School Education, Research and Skills includes a **commitment to "lead the development of a new model of public funding for all forms of provision"**. This commitment was reiterated in the 2023-24 Programme for Government, alongside a clear commitment to maintain free tuition. Work to develop a new funding model will need to take place over a number of years. This work includes developing a detailed map of the current funding landscape, not least in support of taking forward the outline business case for changes to the funding body landscape. Work has already begun to improve the current funding arrangements, including the work of the colleges tripartite group to explore and implement flexibilities within the existing college funding model, work to consider the future delivery model for apprenticeships and work to develop our approach to student support.

Provide funding options for living costs for those who want to study part time/flexibly (Recommendation 7).	**PREMISE ACCEPTED – DELIVERY OPTIONS UNDER CONSIDERATION** The Initial Priorities Paper that accompanied the publication of the Scottish Government's Purpose and Principles for Post-School Education, Research and Skills includes commitments to: • Within financial constraints, build on manifesto commitments and undertake a review of student support for part-time learners to improve the parity of support on offer, especially for those who are returning to learning and may have other caring or work-related responsibilities. • Develop a model for student support and engagement that takes account of all provision pathways and not just further and higher education, including considering apprenticeships and CLD. Work is underway to review the support available for those studying part time or flexibly. Following this evidence gathering phase, options to address any issues identified will be developed, ensuring that any future changes are both fair and sustainable.
To give the new qualifications body a clear remit for overseeing development and accreditation of all publicly funded post-school qualifications and the underpinning skills frameworks and occupational standards. (Recommendation 8)	**PREMISE ACCEPTED – DELIVERY OPTIONS UNDER CONSIDERATION** The Initial Priorities Paper that accompanied the publication of the Scottish Government's Purpose and Principles for Post-School Education, Research and Skills includes **a commitment 'to include responsibility for oversight of all publicly funded post school qualifications (except degrees) and the underpinning occupational standards and skills frameworks as part of the new qualifications body'.** We are currently working to define what this will mean in practice. This includes a short life working group to examine the scope of accreditation and regulation in the new qualifications body. The Education (Scotland) Bill, which will establish the new qualifications body, Qualifications Scotland, was introduced to the Scottish Parliament on Wednesday 5 June 2024.
Review post-school qualifications, using SCQF as a foundation, to create clear learning pathways underpinned by a universal skills framework and occupational standards and to drive further modularisation (Recommendation 9).	**PREMISE ACCEPTED – DELIVERY OPTIONS UNDER CONSIDERATION** The Initial Priorities Paper that accompanied the publication of the Scottish Government's Purpose and Principles for Post-School Education, Research and Skills includes commitments to: • **Build a comprehensive understanding of the post-school qualifications landscape** to inform processes for developing, funding, assuring and approving

	publicly funded qualifications, and actions for wider reform of the qualifications landscape - including improved articulation with the senior phase. • **Lead work to inform our future approach to apprenticeship development** and delivery as part of an integrated landscape of pathways. Work is underway with SQA to scope out a review of post school qualifications to better understand what is delivered. Further work on this recommendation will be developed as the reform programme progresses.
Develop a new, national, lifelong and digital training record to chart skills development through life, connecting into a revitalised careers service (Recommendation 10).	**TO BE CONSIDERED** This recommendation connects to the recommendations contained within the Independent Review of Qualifications and Assessment (IRQA) and will be considered as part of the SG response to that Review. There are planned and related improvements underway to My World of Work that will enable some elements of a digital training record to be delivered. This will also be considered as part of the SG response to the IRQA. There are also wider connections to plans for the development and roll out of Digital Identity Scotland and the information that may be held within this.
To substantively reform SDS to focus on the development of a national careers service, with a mission to embed careers advice and education within communities, educational settings and workplaces across Scotland. (Recommendation 11)	**PREMISE PARTLY ACCEPTED – STRATEGIC OPTIONS, INCLUDING ALTERNATIVES, UNDER CONSIDERATION** The Initial Priorities Paper that accompanied the publication of the Scottish Government's Purpose and Principles for Post-School Education, Research and Skills includes a **commitment to 'build on the work of the recommendations from the Careers Review to consider options for embedding careers advice and education within communities, educational settings and workplaces across Scotland; including options for future delivery of national careers services.'** The immediate focus of this work has been on developing a clearer, more coherent offer for learners and also looking to build clearer pathways for employers to support and to be involved in shaping the support provided. This does not rule out structural changes to careers delivery or further refinement of the proposed mission. Grahame Smith has agreed to continue as interim Chair of the Careers Services Collaborative until the end of 2024 whilst this initial work is being developed.

Expand the remit of the existing DYW network to establish a national employer board and a series of regional employer boards which put employer views at the heart of skills planning, national strategy and the development of post-school learning system. In doing so the Scottish Apprenticeship Advisory Board (SAAB) should be wound up (Recommendation 12).	**PREMISE PARTLY ACCEPTED – STRATEGIC OPTIONS, INCLUDING ALTERNATIVES, UNDER CONSIDERATION** The Initial Priorities Paper that accompanied the publication of the Scottish Government's Purpose and Principles for Post-School Education, Research and Skills includes a **commitment to enhance and embed the role of employers in shaping system planning priorities, pathways and provision.** Work is underway to explore with employers the role that they can play in the different parts of the system, including in skills planning. While it is anticipated that current structures will need to evolve and we will be keen to draw on the expertise of employers engaged in DYW where they are content to offer that, it is not anticipated that DYW structures will be required to expand their remit. Ministers have been clear that SAAB will be wound up and employer engagement will be taken forward in other ways.
To give the enterprise agencies a clear remit for supporting businesses with workforce planning as an embedded and integrated part of business development and planning. (Recommendation 13).	**TO BE CONSIDERED** This will involve work to build a better understanding of the services that are currently provided to support employers with workforce planning and how this may sit within the wider business support landscape.
Explore greater private sector investment in the post-school learning system and, in particular, in the provision of in-work learning opportunities (Recommendation 14).	**PREMISE ACCEPTED – OPTIONS TO BE CONSIDERED** The Initial Priorities Paper that accompanied the publication of the Scottish Government's Purpose and Principles for Post-School Education, Research and Skills includes a **commitment to enhance and embed the role of employers in shaping system planning priorities, pathways and provision.** Developing our relationship with employers will be a priority. Given constrained public finances, we will need to understand how to leverage greater levels of finance into the system. However, the current focus is on getting the right structures in place to ensure that the interface with businesses is improved. There will be scope to consider options in the context of the budget, for example, looking at co-investment from employers in apprenticeships, for example graduate apprenticeships which are often used by employers to upskill their existing workforce.

A new, clear map should be developed to direct users into the system (Recommendation 15).	**PREMISE ACCEPTED – OPTIONS NOT YET UNDER CONSIDERATION** The Purpose and Principles includes a principle that the system should be **transparent, resilient and trusted.** A key part of this is that the system is simple, well understood and easy to access for people. A map directing users to the system could be part of delivering against that principle. This is a longer-term action and will be premised on having finalised the roles and remits of public bodies and the underpinning services. For this reason, while we accept the case for change and the Purpose and Principles acknowledges the complexity within the system, this is not a recommendation that can currently be progressed.

DOC 28

DG ECONOMY QUARTERLY MEETING WITH AGENCY CHIEF EXECUTIVES

6 OCTOBER 2023 - NOTE OF MEETING

Attendees

Gregor Irwin, DG Economy
Adrian Gillespie, SE
Al Denholm, The Bank
Malcolm Roughead, VS
Stuart Black, HIE
Jane Morrison-Ross, SOSE

Other SG attendees:
Colin Cook
Richard Rollison
Anne-Marie Martin
[redacted – S38(1)(b)]
[redacted – S38(1)(b)]

Budgetary context

1. GI gave an update on the 2024-25 Budget process and in-year challenge. He underlined the collective task to ensure that Ministers and the Permanent Secretary are fully informed about costs and the consequences of the prioritisation decisions to be taken.

2. Ministers recognise the need for public sector funding alongside private sector funding and remain committed to driving up the rate of investment, seizing opportunities from the just transition to net zero and securing the benefits from ScotWind.

3. Public service reform will be fundamental to addressing longer-term budgetary challenges.

4. AG asked how Budget discussions take place across portfolios. GI said that there is clear strategic alignment between DG Economy and DG Net Zero and overlap on some aspects of energy.

New Deal for Business Group

5. GI noted that work to implement the recommendations of the NDBG is underway. It will be important to ensure that businesses continue to buy into this work, now that expectations have been raised. Key to this is finding an impactful way of modifying SG's approach to regulation.

6. Fran Pacitti, Director for Business and Better Regulation, is leading this work.

NSET refresh

7. GI explained that NSET will be refreshed in the New Year to ensure that it reflects the priorities of the new Ministerial team and sets out a clear and coherent economic strategy over a timeframe long enough to realise ambitions.

8. The programmes in NSET will be revisited to ensure a sharper focus on: investment; the business environment; enterprise, innovation and productivity; new market opportunities; people, Fair Work and skills; and place.

9. The refresh will take account of the Green Industrial Strategy now in development, and the Digital/AI Strategy. It is essential that the agencies' advice, and the expertise of their teams, informs the refresh.

10. Attendees expressed support for the NSET refresh, noting that the agencies are equipped to deliver support currently delivered by SG, and to have a key role in securing the benefits from ScotWind. There are significant efficiencies to be gained from using the agencies' resource to best effect.

11. It will be important to retain the international focus in NSET. And also to ensure that national ambition can be tailored for the regions, with targeted interventions at regional level. Flexibility is needed in areas such as Fair Work grant conditionality.

12. Attendees discussed the importance of the economic strategy where choices have to be made on prioritising activity, and the need for a sense of urgency and pace. It is importance for SG to recognise the impact that its policy announcements can have on potential investors and the wider market.

Action: GI invited the agencies to write in with their reflections on what's good about NSET and should be retained, and what needs to change.

Investor Panel

13. RR provided an update on the Investor Panel's conclusions on the investment environment in Scotland. The Panel has consulted widely and looked at other jurisdictions, and has provided robust challenge on the role of the public sector.

14. **[redacted – S29(1)(a)]**.

15. **[redacted – S29(1)(a)]**.

16. SG will respond formally to the Panel's recommendations later this year. The Investment Strategy and Delivery Unit, headed by Andy Hogg, has been tasked with taking this forward. This will be a multi-partner, multi-disciplinary unit.

17. GI said that it will be critical for the agencies to be fully integrated in the Investment Unit. The Cabinet Secretary has underlined the need for a collective/'quad' approach to securing investment, involving SG, the enterprise agencies, the Bank and REPs.

18. Attendees noted that it will be important to involve COSLA: a local authority's reaction to a proposed investment can have a huge positive (or negative) impact. Local authorities also have a role in ensuring that there are homes available for skilled workers. Organisations such as Transport Scotland, SEPA, NatureScot are also important. **[redacted - S30(b)(i)]]**

19. **[redacted - S30(b)(i)]]**

20. It is also important that SG's response to the Panel's recommendations does not give the impression that Scotland is no good at investment. We need to build on Scotland's impressive track record, to realise its full potential.

21. AD noted that we need to have a 'grown-up' relationship with investors. Engagement has to be both professional and integrated. Scotland needs to set out its investment strategy for the next 5 years, so that it is consistent over that period and widely understood by investors. Everyone needs to be lined up behind it.

Green Industrial Strategy

22. CC set out the rationale for development of a Green Industrial Strategy (GIS) to maximise the opportunities from the global transition to net zero. The GIS will bring together initiatives and policies across SG and focus down on the 5 or 6 key opportunities for Scotland.

23. It will address how Scotland will realise these opportunities through; investment opportunities, building the pipeline; supply chain development; regulation/licensing; jobs/skills; and trade and export opportunities.

24. Development of the strategy is being led by **[redacted – S38(1)(b)]** and **[redacted – S38(1)(b)]**. An initial SWOT analysis is being pulled together for end October/November. SG aims to publish the GIS in March/April next year, ahead of the refreshed NSET.

25. GI said that the agencies' expertise will be critical to development of the GIS. It will also be necessary to confront hard choices and to set out SG's vision for use of renewable power in Scotland in a way that sends a clear signal to investors.

26. Attendees supported the development of a GIS and agreed that it will be imperative for it to answer key questions e.g. on hydrogen and to guide collaborative work with UKG. It will also be important for the GIS to set out what the people of Scotland stand to gain - in terms of place, population, jobs and skills - and the contribution that other partners will play.

27. JMR referenced SOSE's net zero investment guide for the South of Scotland, which was published in August.

Action: GI invited the agencies to write in with thoughts on the key questions that the GIS needs to answer.

Public Service Reform

28. CC said that **[redacted – S38(1)(b)]** is taking forward an exercise to scope the work required to reform the economic development system, to ensure that the way it operates is appropriate for the next 10 years. It is critical that SG's role in economic development is considered, alongside the role of agencies and other partners.

29. There are 4 elements to this:
    - ensuring national leadership and clear economic priorities;
    - strengthening regional empowerment/REPs;
    - ensuring that support is designed around business needs;
    - delivering efficiencies e.g. greater collaboration, better use of digital, reducing headcount etc.

30. Attendees shared their experience of working with REPs in their areas. JMR recognised that having just two local authorities involved in the REP for the South of Scotland makes it easier to engage with partners to deliver key aims for the region. SB noted that the REP for the Highlands and Islands covers half of Scotland. Collaboration with the local authorities is good, but there is more work to do.

31. MR underlined the need for other parts of SG to recognise their role in supporting economic development. GI agreed that it is critical that areas such as housing are fully involved and play their part. The Minister for Housing, Paul McLennan, is fully behind this.

32. AMM said that work continues under the banner of the Regional Economic Policy Review to strengthen REPs and ensure that they add value. SG aims to work with REPs to test how the model might work in a situation where aggregated budgets could make a difference in addressing an issue e.g. housing challenges. SG also wants to explore ways of overcoming current capacity challenges to make best use of funding and maximise opportunities.

33. SB said that HIE has been taking forward development of its systems to allow businesses to take a 'self-service' approach to accessing support. Good work is also being done through the Business Support Partnership.

34. **[redacted – S30(b)(ii)]**

35. AD underlined the importance of budget certainty in allowing the multi-year commitment needed to support investments and strategic projects. **[redacted – S30(b)(ii)]**

AOB

36. It was agreed that meetings with agency Chief Executives will be held quarterly.

Portfolio: ECONOMY AND GAELIC

Strategic narrative:
The economy and Gaelic portfolio's approach to public sector reform is designed to respond to three main strategic imperatives:

- The need for the public sector to respond to the current fiscal pressures by producing immediate savings. This will require public bodies to take short and medium term actions to reduce costs. Specific examples of such activity are provided in a table below;
- Policy orientated reform projects focussed on delivering near-term improvements to efficiency and service delivery; and
- The design of a more ambitious, longer-term programme that will consider bolder reforms with a view to the design and implementation of a more effective economic development and grants system.

This longer term programme is the most ambitious component of the plan. Like other areas of the public sector, the Scottish economic development landscape and Gaelic and Scots Sectors are complex and multi-faceted, comprising numerous institutions and programmes, often with divergent strategic aims, delivery models and operating at local, regional and national level. While many of these programmes produce good results, there is evidence that the Scottish system may be large in comparison to similar countries and, having evolved over many years, perhaps lacks the simplicity of design enjoyed by comparable small, progressive economies. The time is therefore right to review whether the design of the Scottish system is optimal and public sector partners, including the enterprise agencies, have committed to work with the Scottish Government to approach reform imaginatively and with a willingness to consider significant change.

This work will be evidence based, drawing on international comparisons, analysis of data on the effectiveness of the Scottish system and a series of structured conversations with Ministers, public sector leaders and key figures in business and investment. We will also take account of the potential for a more effective economic development system to reduce demand for key public services. In addition to supporting the Gaelic and Scots languages, implementing the Scottish Languages Bill, recommendations of the Short Life Working Group on Economy and Gaelic and the National Gaelic Language Plan, there are several significant economic imperatives. These include to expand the tax base, employment, investment, prosperity and growing the economy. All powerful weapons to combat poverty, reduce social security expenditure and to improve health and educational outcomes.

Key components of reform activity

Area	***Actions***
Prevention	Economy is a relatively unusual portfolio in that it is not responsible for the operation of a major public service. The public sector does, however, offer many services and financial aids to Scottish businesses. Somewhat curiously, it may be financially counterproductive to reduce demand for these services in the sense that they are focussed on supporting businesses to succeed; an outcome that has a direct link to the growth and efficiency of the tax base. That said, there is scope for achieving efficiencies and improving services through:

	• Removal of duplication. • Focusing services on sectors and businesses who stand a realistic prospect of contributing to growth, generating the tax receipts necessary to fund public services. • Replacing analogue and in-person services with digital solutions, harnessing the power of advanced technologies where appropriate. • Rationalising the plethora of digital platforms and advisory services with a single, upgraded solution; recognising that most people would now expect a digital-first approach. • Greater collaboration between private sector innovators and public services. For example, harnessing the discoveries of cutting edge life sciences companies to increase the effectiveness of the NHS. Together these actions are likely to alter the profile of demand and reduce the number of businesses seeking more resource intensive services. It is also worth reflecting on the profound impact of sound economic policy on reducing demand for other key public services. In addition to expanding the tax base, employment, prosperity and a growing economy are arguably Government's most powerful weapon to combat poverty, reduce reliance on social security and improve health and educational outcomes. Public bodies are also taking action to reduce demand and improve efficiency. Rigorous appraisal processes are in place to ensure that they are making the best investment choices given the challenging financial position. For example, Bòrd na Gàidhlig has progressed a review of how the organisation operates and are implementing an Aon Sgioba (One Team) approach to increase workforce flexibility and identifying opportunities to collaborate. HIE's 'intervention framework' is another good example and has been updated to: • Increase use of non-financial support, via HIE's staff and signposting to other organisations; • Maximise access to alternative sources of funding; and • Strengthen support for clients accessing alternative sources of funding.

Service delivery	Public bodies are engaged in various reform projects focussed on modernising approaches, reducing demand and improving services. Key examples include: • **Business Support Partnership:** focussed on transforming the business support landscape to a more digitally enabled model. • A new **CivTech challenge** focussed on the potential of AI to improve business support services. • **Master Customer Record (MCR)** is a new data product that will deliver a single source of truth for business in Scotland, combining with external data sets. It will enable us to see how much support businesses have had from the public sector and the impact on turnover and profitability. It will also provide the capacity to undertake sectoral, cluster and regional comparisons – powerful economic data that can be used to inform policymaking. • **Bord na Gaidhlig's service and leadership** as the only public body which operates through the medium of Gaelic. • A **digital 'front door'** for all business support products and services which will simplify services for business, eliminate duplication and identify the most popular and impactful products. • **The Bank is seeking FCA authorisation to permit it to crowd-in** and manage third party capital and enable it to increase its impact against its missions**.** Consideration of place is also an important part of improving services. That is why the enterprise agencies and VisitScotland all have a place-based approach to delivery of support. In addition, the Regional Economic Policy Review set out a series of actions designed to strengthen the contribution made by regions to the National Strategy for Economic Transformation. Green Freeports and other initiatives have been introduced with UK Government and action is being taken to strengthen the capability of Scotland's 8 Regional Economic Partnerships through the development of Regional Intelligence Hubs.
Efficiency and effectiveness	The enterprise agencies and VisitScotland are strongly focussed on achieving the efficiency savings necessary to ensure ongoing viability and investment in service delivery in the context of significantly reduced resource budget allocations of over 10% in 2023-24 and a further 5% in 2024-25, whilst also facing inflation and pay award pressures. For that reason the

	substantial efficiencies identified across this return demonstrate how public bodies are addressing a deficit budget position. They are not, at this stage, sufficient to be considered as additional cashable savings. In addition to actions already described, including our ambitions for longer-term reform, public bodies are pursuing: • shared services e.g. information technology related services delivered on behalf of SE, HIE, SOSE and SDS; • efficient use of estates - delivering cost savings on office space and their commercial property portfolios. **[Redacted – out of scope]** • use of collaborative framework agreements and joint procurement; • effective grant management e.g. VisitScotland's new cloud-based grant management system; • digital service delivery e.g. VisitScotland's digital first approach through its consumer website and social channels; • income generation e.g. securing sponsorship/donations for the Science Skills Academy. • **[redacted - S30(b)(i)]]** The overall productivity and effectiveness of public bodies in the economy portfolio is managed by the relevant senior leadership teams and their boards in line with their legislative and corporate obligations. This includes the use of performance indicators to track organisational efficiency and effectiveness e.g. customer feedback, revenue raising and service quality and impact. Broader scrutiny and accountability is provided through the Scottish Government sponsorship functions and the issuance of annual letters of guidance against which the relevant bodies are expected to deliver. Further savings and efficiencies are noted below.

Top level commitments

Commitment	Characteristic
Public bodies will continue to drive efficiencies and improve productivity to meet cost pressures on an ongoing basis.	• Resources are allocated and deployed flexibility and linked to outcomes
The work of the Business Support Partnership and related projects to simplify, modernise and improve services will be prioritised. While these will have individual delivery timelines, we would expect significant progress to have been made by August 2025.	• Services are shaped around what matters to people and communities • Barriers to holistic support are removed • Embracing the power of digital approaches to service delivery and empowering communities.
Longer-term reform will commence with an analysis of the Scottish system, resource deployment and outcomes delivered, benchmarked against other European systems. This work is underway and will produce insights and conclusions on an ongoing basis.	• Progress and performance are evidenced and actively managed
Reform will define an ambitious, optimised model of economic development which reduces demand for other services.	• Our system prioritises prevention • The public service landscape is the right size and composition • There is both individual and collective accountability for delivering outcomes.

Efficiency and effectiveness deliverable / commitment	When will this be delivered? (Between now and 2026). Specify which financial year delivery starts/ straddles i.e. 24-25, 25-26 or 26-27	Cashable saving (£) by financial year: 24-25, 25-26, 26-27
Rationalisation of SE's estate	• Move to 4 core hub locations in Scotland with additional satellite offices started in prior years and already completed.	c.£1.4m annual savings Potential maximum saving of £870k (26/27)

	• Consideration of SE's role as leaseholder for Scotland House Brussels from next lease break in April 2026. • **[Redacted S29(1)(a)]** • SE is participating as one of the Board Members of the Glasgow Hub project, with a view to relocation in 2028.	TBC (26/27)
Workforce planning	• SE has a target to achieve savings of £8.7m by March 2026 by reducing FTE by 15% (on 22/23 levels) to 968. • Measures to ensure SOSE's headcount is maintained below level anticipated for the agency. • **[redacted - S30(b)(i)]]**	Total savings (from 22/23 to end 2026) of £8.7m. £214k (24/25) c.£210k annually
Operational costs	• Reduction in SOSE's costs relating to IT/Finance/HR transactional and system services.	c. £190k (24/25)
Procurement	• Annual procurement efficiencies are forecast in the range of £400k - £700k per annum for the VisitScotland Group. (£416k in 22/23; £443k in 21/22.)	TBC

DOC 30

Public Service Reform

Purpose

To help inform a programme of work that maps out the opportunity and scope of reform to the way in which the Scottish Public Sector supports the development of Scotland's economy.

Context

The Scottish Government is committed to:

- creating and sustaining a well-being economy as described in the National Strategy for Economic Transformation;
- the development and implementation of a programme of Public Service Reform;
- engaging and involving businesses in a meaningful way in its policy and delivery agendas.

Ministers recognise a cross organisational opportunity to reform the way in which the public sector supports businesses and works with them to deliver the wellbeing economy. This requires us to take and build our support offer from the business perspective, working across organisational boundaries and the different portfolios that impact on the wellbeing economy.

A commitment to transform the business support landscape was included in the National Strategy for Economic Transformation published last year. This includes support on issues such as the transition to net zero that lie outside of the economy portfolio.

Engagement with enterprise agencies, local government and business leaders shows strong appetite for change. The Business Support Partnership has surfaced and is beginning to address some of the issues around operating efficiencies, data sharing and simplifying the customer experience that any programme of wider reform will need to address.

There have been a number of previous attempts to reform the landscape of economic development. The most recent of these was the Enterprise and Skills Review published in 2017.

Scope

The economic development landscape is complex. The scope of this programme should include the following core group of public sector run organisations / arrangements:

- Scottish Enterprise
- Highlands and Islands Enterprise
- South of Scotland Enterprise
- Scottish Local Government Economic Development teams and Business Gateway
- Regional Economic Partnerships
- Scottish Government Directorates and agencies
- VisitScotland

In considering the wider economic development landscape, the following will also be relevant:

- Universities and Colleges
- Private sector contracted operations (e.g. TechScaler)
- Private sector economic development agencies (e.g. Scottish Edge)

The following are considered to be partially in scope at this stage:

- Skills Development Scotland – as the current supplier of shared corporate services
- Scottish National Investment Bank – as an investor in significant businesses and projects

Assumptions

The following assumptions are made in scoping the work programme:

[redacted – S29(1)(a)]

Current Projects

A number of potentially relevant projects are already known to be underway under the auspices of the Business Support Partnership. These include:

- The development of a “digital front door” based on “Find Business Support”
- The development of a master customer record

- A product / service rationalisation project based on a “mapping and gapping” assessment

Organisations within the ecosystem are also carrying out work that potentially impacts on the overall reform agenda:

- The corporate planning processes of national / regional agencies
- Development of the Glasgow Metro Region
- Digital strategy of Business Gateway

The Scottish Government’s central public service reform agenda is taking a system wide approach to change. It anticipates, amongst other things:

- Short term plans to improve operational efficiency (manifested in lower budgets and fewer staff)
- Wider use of shared services
- Long term thinking about the future shape of the public sector landscape (the purpose of this programme)

Opportunity

Whilst no decisions have been taken at this stage, there has been some initial thinking about the potential shape of the future end state of how a public sector economic development ecosystem might operate. Understanding these can help frame the programme, although they should not determine the outcome. The elements of this approach are set our below:

- A nationally available, digital service model for all businesses in Scotland. This would be based on a common publishing platform and enable a single view of the customer across the whole country;

- A digital platform that connects customers with the support they require regardless of who provides that support (including the private sector). Technology acts as a connector between multiple customers and multiple suppliers (“Uberisation”);

- The public sector will continue to provide a source of funding to businesses and the ecosystem needs to be designed in a way that makes it easy for businesses to find the funding they need and the process of assessment / evaluation to operate consistently and in a timely manner;

- Community Wealth Building legislation is planned and local communities need to have arrangements in place to benefit from it;

- Regional Economic Partnerships define regional economic priorities based on national strategies and local needs / ambitions. These partnerships bring together all players in the regional economic development ecosystem and underpinned by organisational arrangements that enable their priorities to be implemented .

- Universities are at the heart of Scotland's national innovation ecosystem and they operate individually and collectively. This means that they need to be an integral part of both regional economic decision making and nationally defined / coordinated innovation activity.

- The ecosystem must be able to support the delivery of key national Scottish Government objectives relating to the wellbeing economy. **[redacted – S29(1)(a)]**

- A national approach is taken to international marketing of Scotland and this is integrated across different disciplines including the attraction of visitors, talent (including students) and investment

- Scotland's Enterprise and skills agencies already utilise a shared service for a number of their back office functions. An opportunity exists to extend this still further and / or increase the efficiency of its operation within the context of PSR

- Scottish Government will continue to define economic development policy, informed by the views of businesses (generically and sector specific) and input from the delivery infrastructure.

Task

Phase 1 of this programme requires the development of a scoping document which:

- Sets out the objectives of the reform programme
- Describes the landscape of current projects and how they relate to these objectives.
- Recommends a series of initial projects (including any current projects that are assessed as still being appropriate) to begin delivery of the programme

- Suggestions, based on the above, of the resourcing requirements within Scottish Government (this is a DED lead but projects are likely to be led in various other parts of the public sector)

Subsequent work will be required on issues such as governance, resources, project planning etc.

This will involve:

a. A review of current work
b. Meetings with key stakeholders, particular project leads in the Business Support Partnership and Scottish Local Government and key advisors such as Ellis Watson

Thought Piece

My “starter for 10” is that there are 4 broad programmes that are required at this stage:

1. Role of Scottish Government - where there is an opportunity to consider the appropriate balance between policy setting and “on the ground” delivery, the influence that the business community has on the policy making process and the way in which policy areas out-with DG Economy engage with delivery bodies. This includes consideration of whether there are functions being carried out by Scottish Government that should be carried out more appropriately by a delivery body (e.g. TechScaler)

2. Role of National Agencies. The starting point is the Scottish Enterprise corporate change programme – which is already looking at the mission-based approach. This will need to consider the inter-relationship between SE and the SG and the other delivery agencies in the broad economic development space. The approach will also have implications for other national agencies (e.g. VisitScotland) and separate projects etc may be required

3. Regional Economic Development where there is an opportunity to consider how Regional Economic Partnerships surface and deliver against specific regional economic priorities including the issue of the operating model and resources that these partnerships require to be effective. This workstream will need to consider the role of regional / community development agencies and links to Green Freeports, Investment Zones and other place initiatives.

4. Technical architecture – the development of an overall, platform-based architecture for the economic development system as a whole. This will include the following projects as a starter :

- The development of a common business identity that can be used across the system as a whole
- A common publishing platform that enables initial engagement with businesses
- Review of the current shared service operation (run by SDS) to make future recommendations on how to maximise the benefits of this

DOC 31

SUSTAINABLE AND IMPACTFUL SERVICES: PUBLIC SERVICE REFORM
ACTIVITY BY THE ENTERPRISE AGENCIES AND VISITSCOTLAND

Overview

Following publication of the RSR, the enterprise agencies and VisitScotland were asked to review their current operating models and to develop proposals which set out all opportunities to make efficiencies, remove duplication and re-design services.

The agencies have already taken steps to:

- identify savings through staff reductions, office closures and limiting or stopping certain programmes of support;
- explore further opportunities for sharing services; and
- work together and with SG to identify and address areas of duplication and improvements to delivery of services.

The agencies provided detailed returns in response to the January commission for baseline information on reform activity underway. Public Bodies Support Unit's initial analysis of the returns applied a green rating to each of the enterprise agencies and VisitScotland, recognising them as 'public bodies who have established transformation plans which are mindful of resourcing and budget pressures'.

Scottish Enterprise and South of Scotland Enterprise have volunteered to participate in the first 'sprint' of the Public Service Reform Programme on revenue raising. Consideration is being given to a sprint on reform of the economic development landscape, which if progressed will involve all of the enterprise agencies.

The agencies were advised that a further commission would issue in February for transformation plans which cover the rest of the RSR, to be submitted by late summer to inform the draft Budget for 2024-25. They are awaiting an update on this from SG.

The agencies are in the process of responding to a request for information from the Finance and Public Administration Committee to inform its inquiry into public service reform.

Scottish Enterprise (SE)

SE is planning to reduce in size by being more focused as an organisation. Work planned or underway includes:

- consolidation of SE's office portfolio across Scotland;
- a new delivery model, focused on a limited number of missions which will form the basis of its new Strategy;
- an efficiency review (summer 2023) to identify opportunities to adopt new/more streamlined approaches to delivering economic development support;
- significant reduction in headcount/salary budgets (up to 300 posts);
- continuing to work with SG to identify areas of duplication between SG and SE and better align operational areas and funding;

- refreshing SE's approach to alternative sources of funding.

Highlands and Islands Enterprise (HIE)

HIE is taking a continuous improvement approach to its business transformation activity which is being progressed through:

- development of its new Strategy and priorities;
- achieving cost efficiency through collaboration and sharing opportunities;
- securing funding to HIE, clients and/or projects;
- workforce planning to optimise human resource choices;
- embracing co-location opportunities (for example with Local Authorities, Scottish Land Commission and Crown Estate Scotland);
- a continuous improvement programme on digital delivery; and
- influencing universal product delivery and ensuring that its internal product governance is aligned to the Business Support Partnership to avoid duplication and maximise opportunities to collaborate.

South of Scotland Enterprise (SOSE)

Activity planned by SOSE or underway includes:

- a continued focus on working in a lean and agile manner to support the wellbeing economy across the South of Scotland;
- a program of continuous improvement around SOSE's processes e.g. client and colleague journey, due diligence, fair work, proportionate application processes, seeking at all points to digitalise;
- implementation of SOSE's 5 year Action Plan (published March 2023);
- ongoing work with regional partners to align and maximise their collective impact, ensuring that resources that come to the South of Scotland are used to best effect;
- maintaining staff numbers at 150 FTEs, rather than 170 FTEs as anticipated when the agency was established.

The enterprise agencies are working together to:

- deliver a significant shift in the public sector business support landscape across Scotland through the Business Support Partnership;
- identify options for greater inter-agency collaboration, more collaborative and shared approaches to common functions, collaborative procurement, shared delivery and shared services.

VisitScotland (VS)

VS has undertaken extensive planning to explore how best it can re-cast and 'future proof' itself as an organisation. Scenarios being considered include:

- review of information provision through iCentres including closure or curtailing operations - focusing on digital information provision;
- review of Quality Assurance activity;

- review of marketing spend within the organisation which would consider reducing the market focus for leisure marketing to focus on growth and core markets only, and stopping all B2B activity and placing a reliance on VisitBritain to do this on VS's behalf.
- income generation by commercialising the VS website;
- a review of events grants, including assessment of whether VS could move to a risk and return model;
- review of estates, including VS's main and local offices in Edinburgh;
- reductions in headcount - a voluntary severance scheme was agreed with SG in early 2023 and is being utilised by VS, though headcount has already been reduced from over 860 FTEs in 2011 to 540 FTEs; and
- development of the agency's next Corporate Plan and strategic vision for the organisation.

Enterprise and VisitScotland Sponsorship
April 2023

DOC 33

Deputy First Minister,

In response to your request I have been working with officials over the past 2 days, and have spoken separately to Adrian Gillespie at Scottish Enterprise. I have reviewed in more detail the information made available to me. This process is still ongoing, but below I give some areas I am focussed on. Initially however I give a perspective on where I think we are with regards to the bigger picture.

[Redacted S29(1)(b)]

In terms of specific opportunities to save costs

1. There is scope for the removal of duplication of products and services between agencies, government and other partners. **[Redacted S29(1)(b)]**

2. There is scope to address across of duplication between agencies and government to reduce costs. This will include back-office functions but also delivering some clarity around the split between government and agencies in term of responsibilities. **[Redacted S29(1)(b)]**

3. In terms of specific areas of spend across the portfolio I have identified a number of areas where significant cost increases are planned and further detail is required. I have asked officials to respond at pace to my questions to assess what savings potential exist. **[Redacted S29(1)(b)]**

DOC 34

Areas for greater collaboration, removal of duplication and service re-design in line with NSET priorities

The EAs have been considering how they can build more inter-agency collaboration into their strategic planning and operational delivery to improve their effectiveness and efficiency.

Examples of current collaboration include:

- shared IT and IS, across SDS, SE, HIE and SOSE;
- shared Internal Audit function across SDS, SE, SOSE, SFC and Clyde Gateway;
- collaborative strategy development and alignment via the Joint Working Group, encompassing SG, SE, SOSE, HIE, SDS, SFC and VS;
- collaborative product and service development, promotion and delivery via the Business Support Partnership (BSP), encompassing SG, SE, SOSE, HIE, SDS, Scottish Development International (SDI), Creative Scotland, VS, COSLA, Business Gateway (BG) National Unit and SLAED.

The agencies are committed to reviewing the lessons learned from current collaboration and to looking at more collaborative and shared approaches to common functions, collaborative procurement, shared delivery, and shared services.

[redacted – S38(1)(b)] and Sponsorship Team met the EAs' Strategic Directors on 15 September. In discussion, it was noted that:

- opportunities for shared services exist and could improve effectiveness, resilience and professional development, but initial consideration suggests that they would not result in significant savings;
- there is duplication between SG and agencies and some confusion about where SG's policy focus stops and delivery by the agencies starts (the EAs are going to map this and suggest areas they could/should be delivering on SG's behalf);
- there is still a need for greater recognition of the EAs as NSET delivery agents - the draft delivery plans make little mention of activity that the EAs are already delivering or are resourced and have the expertise to do;
- the BSP is a good model and the agencies are very supportive of investment to streamline the architecture to make it work better;
- there is good engagement with other agencies, including SDS, SFC, VS, Creative Scotland, Historic Environment Scotland, SEPA, NatureScot etc. It would be helpful to broaden this out to deliver a whole systems approach to resourcing and delivering economic development activity. There are, for example, interdependencies between the enterprise and skills agencies where decisions on funding for one partner may have implications for others and collective goals;
- **[redacted - S30(b)(i)]]**
- REPs will be useful to engaging partners, including local authorities, on best deployment of resource.
- Work done to date on the resource spending review confirms the very real challenge we face in being able to deliver NSET programmes, given the predicted financial position across the economic development system and levels of current legal commitments and expectations on agencies.

In addition, the EAs have highlighted that they will face real challenge in delivering NSET programmes, given levels of current legal commitments and expectations on agencies. It is important to recognise the interdependencies between different activity e.g. the Resource funding needed to undertake due diligence on Capital projects or FT loans. The EAs' staff - given the expert advice they provide direct to businesses - are a key asset, not just a cost. Regional economic impact research and evaluation is another area funded by Resource (national statistics being of limited use to inform activity at the regional level).

DOC 35

RESOURCE SPENDING REVIEW - ENTERPRISE AGENCIES AND DELIVERY OF NSET

ISSUE: Our future economy requires us to radically rethink and reform how the enterprise agencies operate.
We need them to re-focus their services so that they deliver the actions, set out in NSET, that are critical to growing the economy.
To meet the requirements of the RSR, we need them to reduce their operating costs, particularly in areas that do not deliver front line benefits to service users.

Top Lines

- The enterprise agencies remain at the heart of the Scottish Government's plans for economic transformation.
- However, there is no doubt that this is a tough Spending Review and we will be looking to the agencies to make savings by re-focusing their services and making greater use of digital technology.
- We need to consider this funding package alongside the ambitious agenda for change and reform set out in NSET, and work with all three agencies to ensure that they are in the right shape to deliver on these commitments.

NSET commits the Scottish Government to establish a programme to radically transform the way in which economic development activity is delivered across Scotland.

As a key part of this, I am looking to the enterprise agencies to change how they work so that they:

- re-focus their services to deliver the actions, set out in NSET, that are critical to growing the economy;
- better meet the needs of their customers and improve customers' access to online information and services;
- collaborate with other organisations that support economic development in Scotland, to improve services and remove duplication; and
- reduce cost structures to meet the requirements of the RSR.

In line with the programmes of activity in NSET, I expect the enterprise agencies to:

- be entrepreneurial, and support entrepreneurs and the development of an entrepreneurial mindset right across the country;
- strengthen Scotland's position in new markets by supporting innovation and business R&D in industries and sectors with the greatest economic opportunity and driving work to increase Scotland's exports;
- help businesses to become more productive through digitalisation and improvements to their business models;
- enable businesses to plan for, and realise the opportunities associated with a just transition to a net zero; and
- continue to encourage the businesses that they work with to commit to fair work practices.

It is essential that those with a role in economic development work together, operate efficiently and have a relentless focus on the delivery of the priorities in the NSET.

DOC 35

- Through our sponsorship mechanisms, we will set clear expectations about the role that the enterprise agencies will play, both individually and collectively, in delivering the strategy.
- My strategic guidance to the enterprise agencies underlines the need for their corporate plans and annual business plans to focus effort and resources on delivering NSET.
- I also expect the agencies to play an active role in the governance of each of the programmes described in NSET and be accountable, to the new NSET delivery board, for the delivery of specific actions included within these programmes.

DOC 35
Background briefing

1. RSR: available budget for Enterprise, Tourism and Trade (£m)

	2022-23 Budget	2023-24 RSR	2024-25 RSR	2025-26 RSR	2026-27 RSR
Enterprise, Tourism and Trade	259.7	252.5	227.5	226.4	237.1

'Enterprise, Tourism and Trade' covers the following activity:

- Enterprise Agencies and Visit Scotland;
- SG Operating costs (incl. staff costs);
- Trade, Export, Growth and Investment;
- Scottish Growth Scheme;
- Manufacturing (NMIS);
- Tech Scalers; and
- European Structural Funds.

The budget does not include provision for Expected Credit Losses (ECLs) and write off charges. Nor does it include provision for Cairngorm Mountain (Scotland) Limited (CMSL) operating costs. We will work with the enterprise agencies to get clarity on the level of expected costs going forward, and to manage these pressures.

2. Indicative breakdown for Enterprise Agencies and VisitScotland (£m) - **not published or shared with the enterprise agencies**

	2022-23 Budget	2023-24 RSR	2024-25 RSR	2025-26 RSR	2026-27 RSR
Enterprise Agencies and VisitScotland	220.9	197.9	185.8	193.0	186.0
	Reduction	-23.0	-35.1	-27.9	-34.9
	% savings	-10.4%	-15.9%	-12.6%	-15.8%

Note: an efficiency target of 10%+£11m/20%/20%/25% was applied to the agencies' budgets. However, this was not applied against their legally committed costs. This explains the difference in % savings.

Publication of the RSR is the first step. We will now work with the enterprise agencies to agree detailed allocations which deliver the cost efficiencies required over the Spending Review period.

3. Published Capital allocations for the enterprise agencies (£m)

	2022-23	2023-24	2024-25	2025-26	3 year total
SE	80.0	76.2	72.8	75.1	224.1
HIE	30.0	28.4	27.2	27.0	82.6
SOSE	15.2	15.2	15.2	15.2	45.6
Total	**125.2**	**119.9**	**115.1**	**117.3**	**352.3**

This broadly confirms the agencies' allocations from the CSR. Adjustments have been made to the profile of SE's core allocation. Funding allocated to HIE for reinstatement of the Cairngorm funicular has been revised due to additional funding being required in 2022-23 to meet updated spend profiles.

The detailed breakdown is as follows (£m):

	2023-24	2024-25	2025-26	3 year total
SE - Core	67.64	66.56	68.3	202.5
SE - Green Jobs Fund (GJF)	8.60	6.20	6.80	21.60
SE Total	**76.24**	**72.76**	**75.1**	**224.1**
HIE - Core	25.60	25.60	25.60	76.80
HIE - GJF	1.4	1.4	1.4	4.2
HIE - Funicular	1.43	0.17	0.0	1.60
HIE Total	**28.43**	**27.17**	**27.0**	**82.6**
SOSE - Core	14.40	14.40	14.40	43.20
SOSE - GJF	0.8	0.8	0.8	2.4
SOSE Total	**15.2**	**15.2**	**15.2**	**45.6**

4. <u>Published Financial Transactions (FTs) allocations for Finance and Economy (£m)</u>

Portfolio	Net Financial Transactions			2-Year Total	Gross Financial Transactions			2-Y T
	2022-23 Budget	2023-24	2024-25		2022-23 Budget	2023-24	2024-25	
Finance and Economy	284.6	258.0	254.0	512.0	298.5	292.8	288.2	5

FTs will be distributed between SNIB (working toward the £1bn capitalisation target) and the enterprise agencies. **[Redacted – out of scope]**

Enterprise Sponsorship
May 2022

DOC 36

NSET AND THE ENTERPRISE AGENCIES

Top lines

- Our enterprise agencies support inclusive and sustainable economic growth through a range of activity focused on encouraging economic development, entrepreneurship, innovation and investment in business.
- Highlands and Islands Enterprise and South of Scotland Enterprise are also responsible for furthering the social development of their regions, with a particular emphasis on support for sparsely populated, rural areas.
- Scottish Development International, which is part of Scottish Enterprise, works nationally to increase the value of Scottish exports and attract new international investment to Scotland.
- The enterprise agencies have been involved in the development of the NSET and they will play a critical role in its delivery.

Our future economy requires us to radically rethink and reform the way in which the enterprise and skills agencies operate.

- The enterprise agencies have worked collaboratively as members of the Enterprise and Skills Strategic Board to drive improvement in Scottish productivity and better support business.
- There is strong alignment between the activity currently undertaken by the enterprise agencies and the objectives in the NSET.
- However, the Strategy recognises that we need to create a model that:
    - reaches every community, rural or urban;
    - connects people and businesses with the support they need; and
    - leverages private sector networks, at home and abroad, in a more efficient way.
- Building on the work of the Business Support Partnership, we will review the products and services available to provide businesses with greater clarity on the support they can expect.

It is essential that those with a role in economic development work together, operate efficiently and have a relentless focus on the delivery of the priorities in the NSET.

- Through our sponsorship mechanisms, we will set clear expectations about the role that the enterprise agencies will play, both individually and collectively, in delivering the strategy.
- This includes their role in contributing to the development of the detailed plans that will support delivery of the NSET.
- We will ensure that our strategic guidance to the enterprise agencies aligns with the priorities and programmes of action set out in the NSET.
- And that the agencies' three-year strategies for 2022-25, currently in development, set out how they will deliver these in the short to medium term.

- We will also be putting in place a common accountability framework, with key milestones and agreed metrics of success, through which we will hold the enterprise agencies responsible for delivering against the objectives in the NSET.

PUBLIC SERVICE REFORM
OPTIONS WITHIN DG ECONOMY PORTFOLIO

May 2023

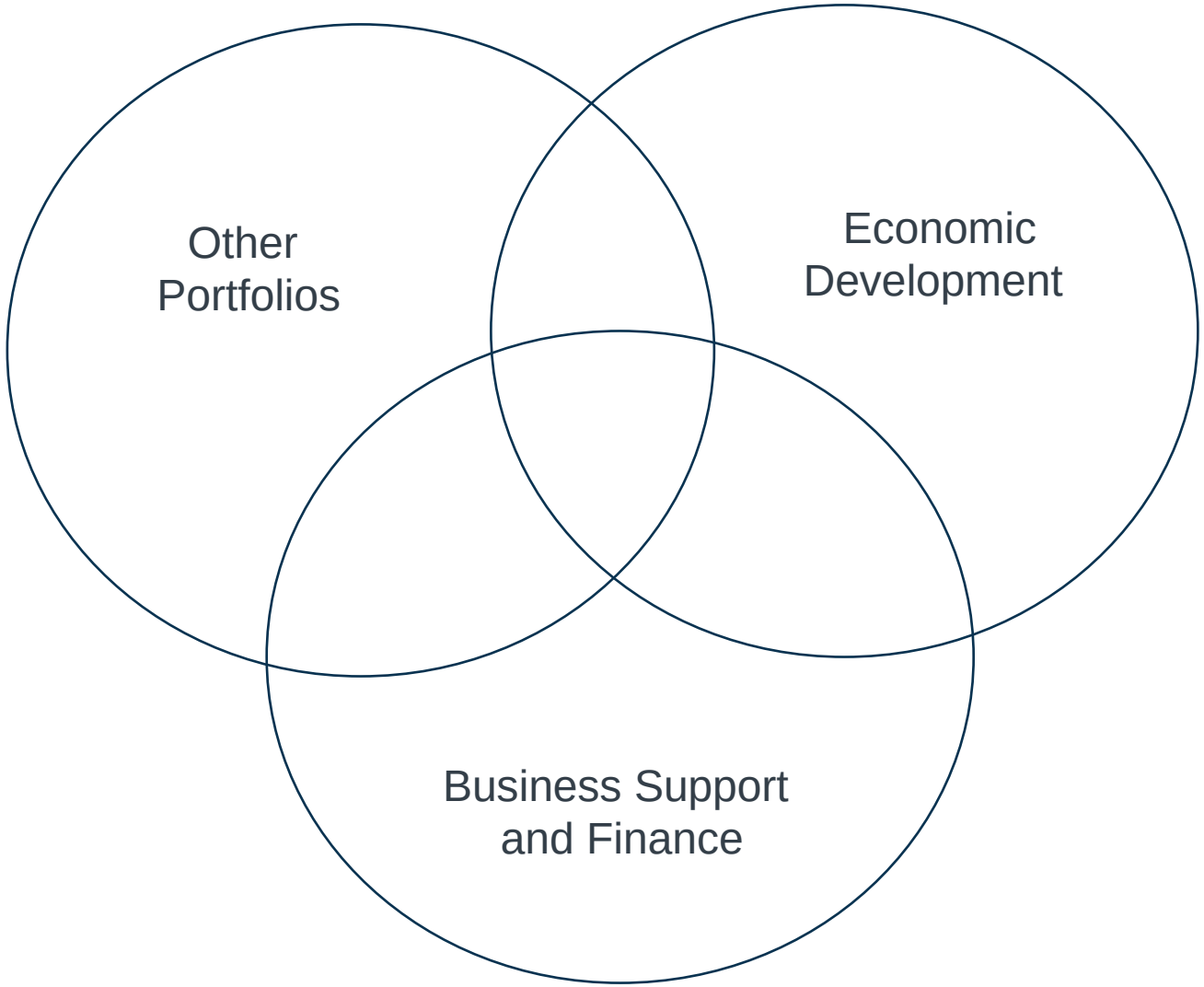
In the service of Scotland

BACKGROUND AND CONTEXT

- NSET Commitment to “Establish a programme to radically transform the way in which the public sector in Scotland provides support to workers and businesses”
- Complex Legacy landscape of business support, most of which was not designed to:
    - promote a wellbeing economy and, in particular, not to support the transition to net zero
    - Operate as part of a digital business model
- Inter-dependency with current skills review

In the service of Scotland

BACKGROUND AND CONTEXT



In the service of Scotland

WHAT HAVE WE DONE SO FAR?

- 5th April event – sponsored by SG and SOSE
- Business Support Partnership
  - Find Business Support
  - Master Customer Record
- Covid 19 Lessons Learned
- Regional Economic Strategy Review
- Joint Regulatory Taskforce

In the service of Scotland

KEY OPPORTUNITIES

- Whole Systems Approach
    - support for businesses not a single policy area
    - National / Regional / Place based alignment
- Aligning organisational and system transformations
    - Scottish Enterprise Innovation Focus
    - Shared Service Delivery
- Digital Transformation
    - Service design – users at centre
    - Single data spine / sharing
    - Digital business model – platform and network based
- Regulation / Business Re-set

In the service of Scotland

RISKS

- Financial and Human Resources
- Maintaining national and local government “buy in”
- Securing and maintaining cross portfolio alignment
- Legacy attachments
- Stakeholder and media reaction

In the service of Scotland

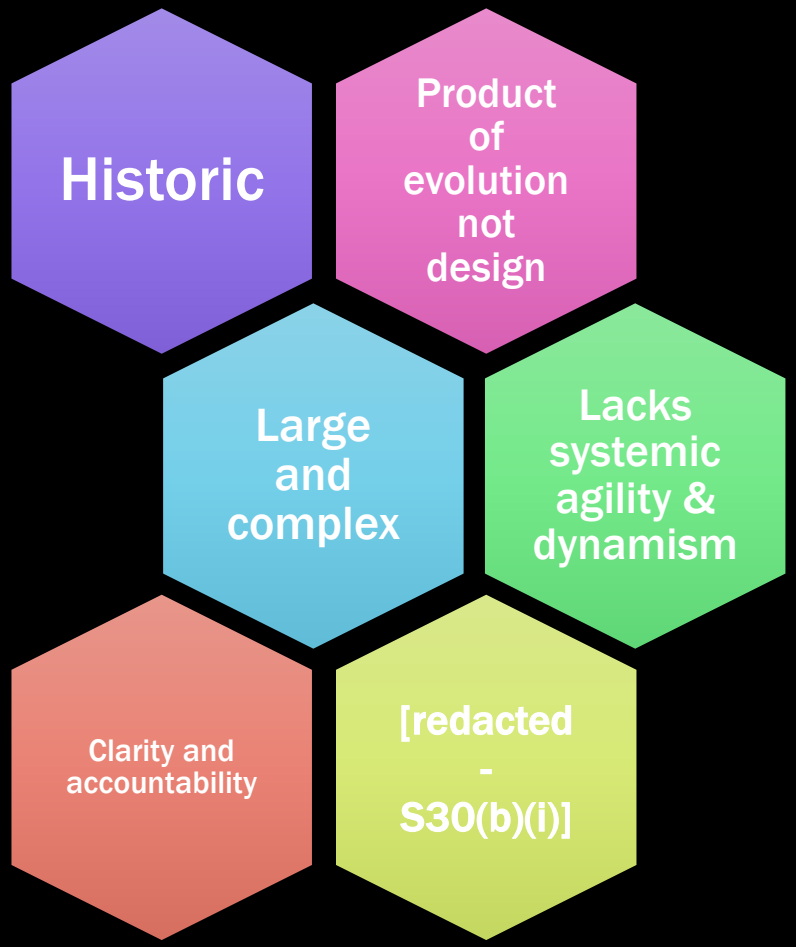
PUBLIC SERVICE REFORM
OPTIONS WITHIN DG ECONOMY PORTFOLIO

May 2023

In the service of Scotland

PUBLIC SECTOR REFORM

CASE FOR REFORM



VISION

Agile

Simple

Technology driven

Efficient

Accountable

Impactful

APPROACH

Our approach has three main parts:

1. Work to deliver immediate bankable savings
2. Policy orientated actions to reform and improve services;
3. **A more ambitious programme to consider bolder reforms.**

SCOPE

Accountability

Size, configuration, functions and cost

Place

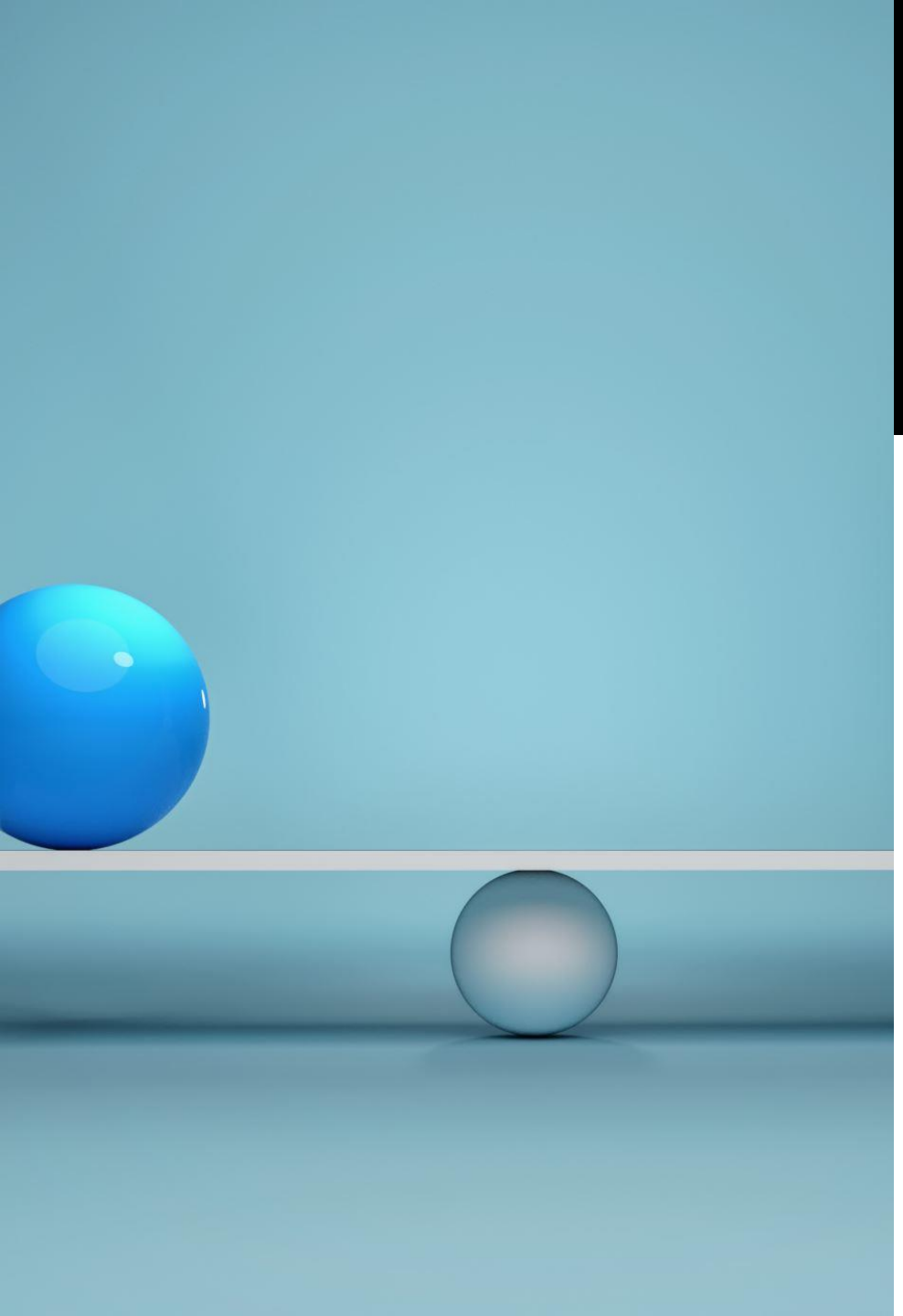
Technology and service delivery

Estates, assets and shared services

Distribution of policy responsibilities

Leveraging public service delivery

Revenue raising



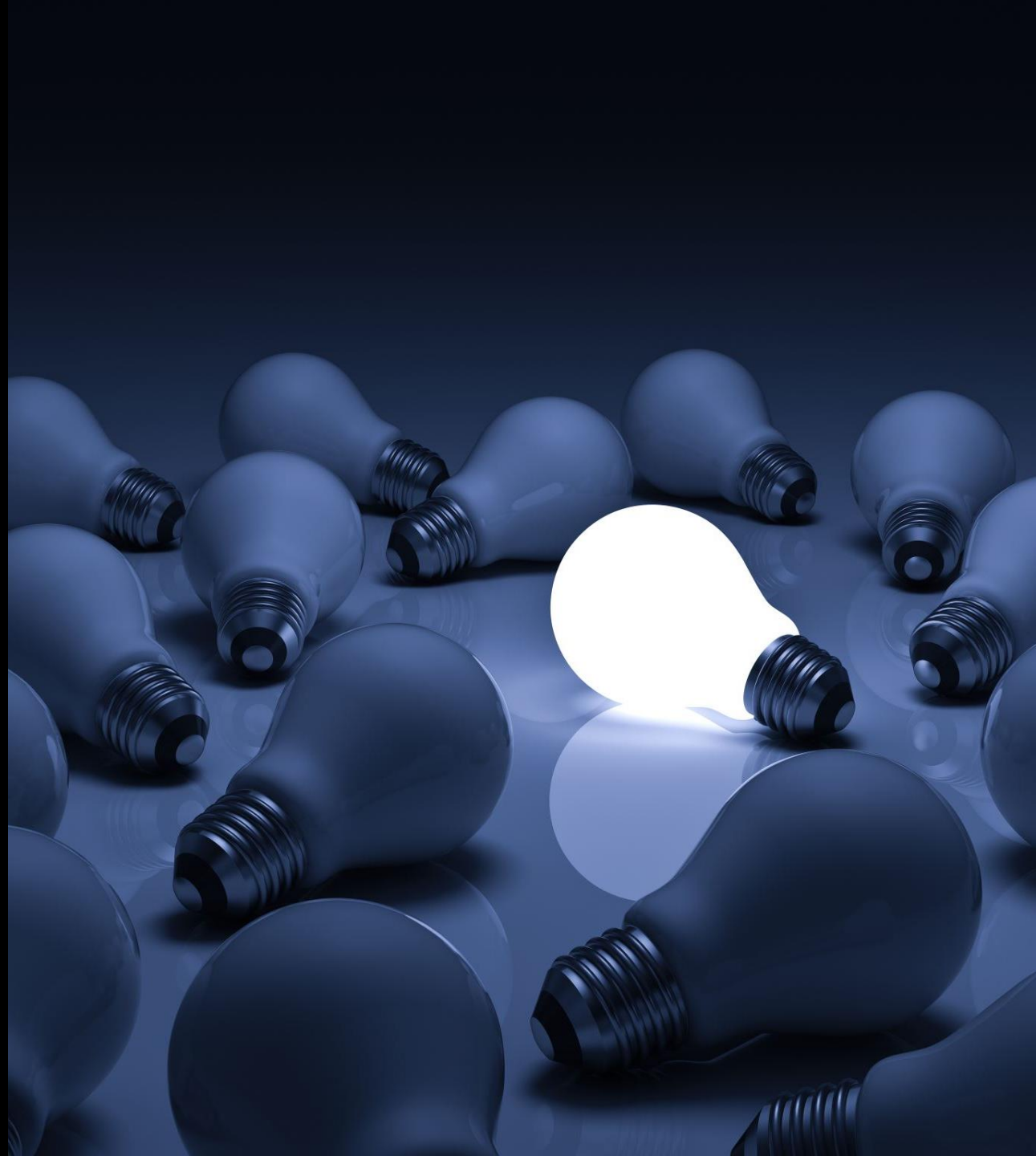
PROGRAMME

Delivered in three (non-sequential) phases:

- Discovery
- Early delivery + target operating model
- Delivery

DISCOVERY

- Understand the system
- Build trust and alliances
- Radical but realistic
- Interrogate the evidence
- Harvest the best ideas



AGILE DELIVERY AMBITIOUS FUTURE

Goal is to emerge from discovery with:

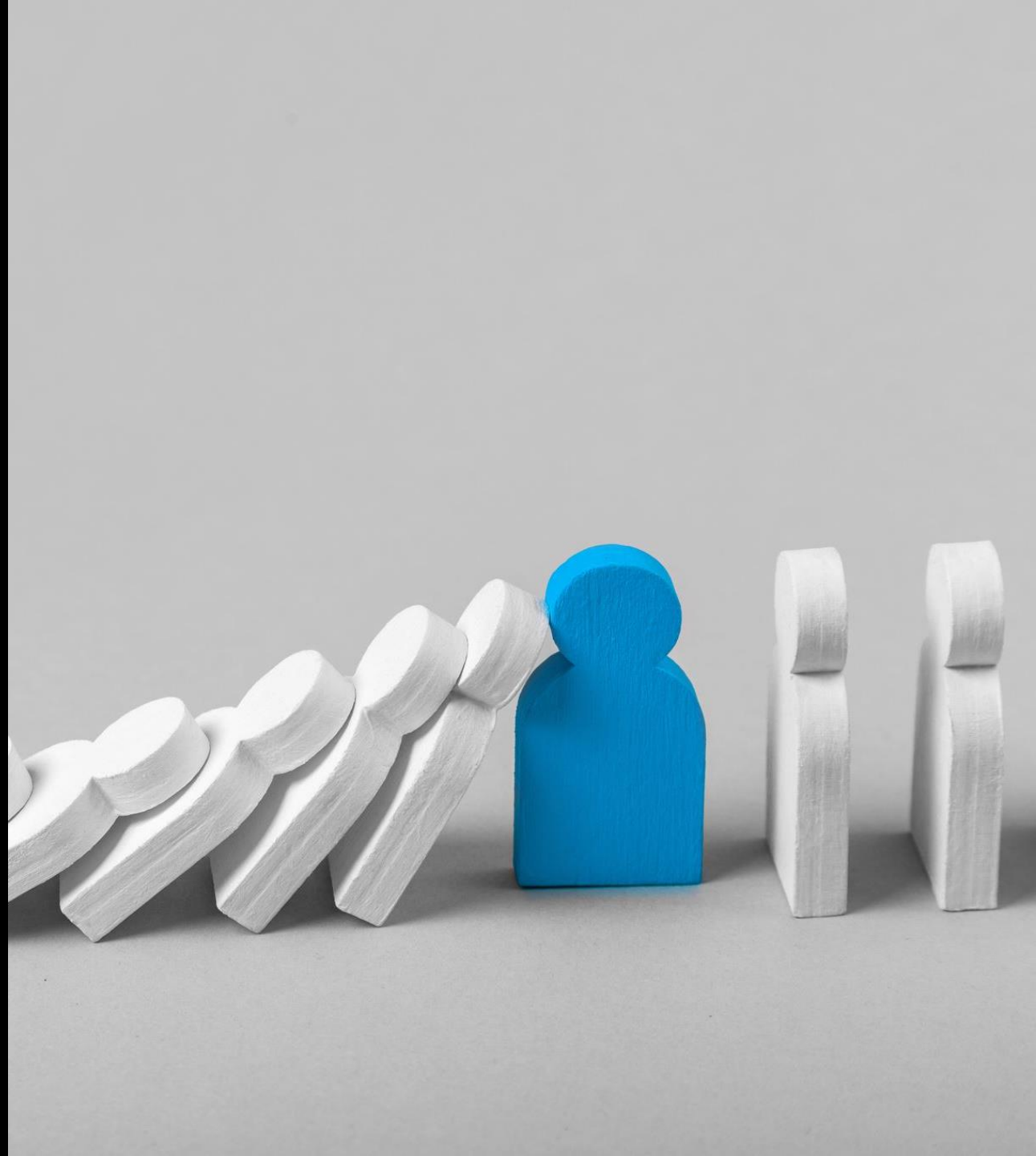
- A clear understanding of the system we have
- A set of actionable reform projects that we can pursue **now**
- An outline of a target operating model for the (**near**) future of the system

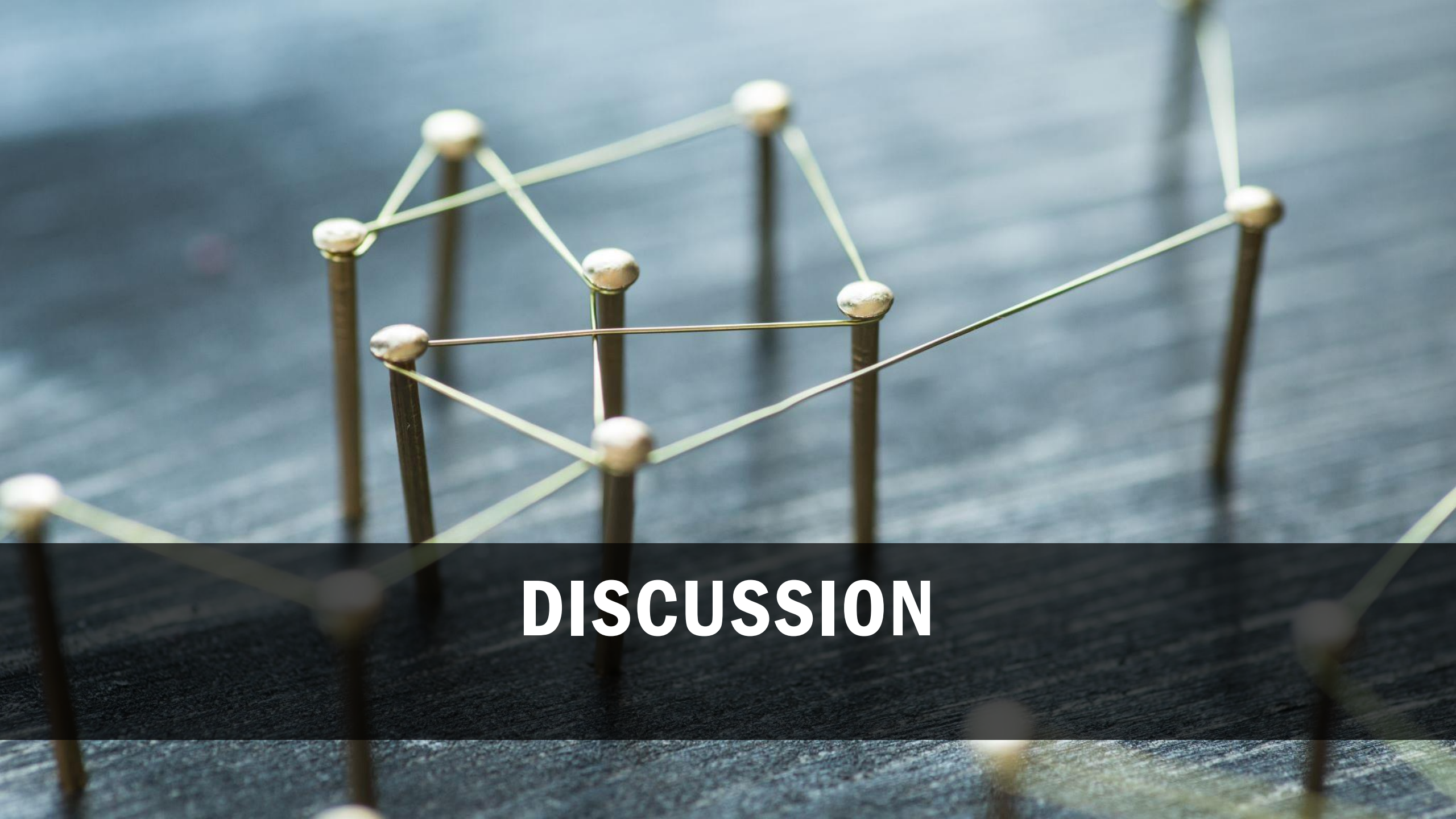
IMPLEMENTATION

- Not leaping to a particular delivery model
- Form and structure will depend on the output of discovery
- Appropriate governance and oversight
- Accountability and incentives

WHAT DO WE NEED?

- Commitment and collaboration
- Authorise your teams to pursue bold and imaginative reform
- Trust, candour and willingness to embrace change
- People




DISCUSSION