

## **SOUTH OF SCOTLAND ENTERPRISE AGENCY – INTERIM ARRANGEMENTS**

### **Purpose**

1. This paper updates the Implementation Board on our work to develop the interim arrangements for the South of Scotland and seeks its endorsement to a proposed partnership approach for delivery during this period so that this approach can be further refined and final recommendations can come to the Board's September meeting for consideration.

### **Context**

2. Phase 2 of the Enterprise and Skills review confirmed that ministers would establish a new South of Scotland Enterprise Agency (SOSEA) to address the economic challenges of the area, driving inclusive growth. Legislation will be introduced in the Scottish Parliament in 2018 which, assuming Parliamentary support, ensures that the new statutory body will begin its formal legislative operation from the beginning of financial year 2020/21.

3. In advance of the statutory process, Ministers want to ensure that the area benefits from a new approach to economic development with interim arrangements in place later this year. They want to ensure those arrangements are shaped by stakeholders and endorsed by the Implementation Board. We have continued the collaborative approach of the previous phases of the Review, working closely with stakeholders<sup>1</sup> to develop and test the recommendations set out in this paper.

### **Ambitions for SOSEA**

4. SOSEA will respond to the economic needs and opportunities for the South of Scotland supporting inclusive growth across the area. With a clear strategic vision, it will take forward a range of activities that drive forward the economy, sustain and grow communities and capitalise on people and resources, promoting fair work and inclusive growth in all its endeavours. During phase 2, we worked with stakeholders to scope the range of activity that needed to take place in the South of Scotland to deliver transformational growth. This demonstrated the breadth of activities that could contribute to the prosperity of the area and the range of partners that needed to be involved in delivery. Detailed collaborative work continues to refine those potential activities and to understand the role of SOSEA in what it needs to deliver directly and where its role is one of influence. This will help shape the legislation setting out SOSEA's remit and powers.

### **Interim arrangements**

5. Delivering the full ambition and range of activity will, of course, require SOSEA to be fully operational. However, two years of interim arrangements offer

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<sup>1</sup> Core working group includes: SE, HIE, SDS, SFC, VisitScotland, COSLA, Scottish Borders Council, Dumfries and Galloway Council, Borders College, Dumfries and Galloway College and SCDI. Separate events were held with businesses and the FE/HE sector.

the opportunity to work towards a clear economic plan for the South of Scotland, understanding how best to deliver improvements through the drivers of productivity, informed by a clear understanding of the impact of actions flowing from this on inclusive growth factors. This will require an appropriate measurement framework which will be developed in line with the Implementation Board's work on governance and the draft strategic plan. It enables different approaches to be tried in the area and allows the right building blocks to be put in place so that the new agency operates effectively from day one. Setting the right priorities for activity during the interim period is vital, helping to ensure realistic expectations in recognition of the fact that the interim arrangements cannot offer the same benefits as the agency.

6. A necessary and valuable initial focus will be to map existing activity in the area to drive alignment across existing organisations operating in the area, with the ultimate goal of ensuring maximum benefit from current activity and investment. This will also highlight gaps in current provision and how best to address those gaps.

7. Although important, we expect the interim arrangements to go further and be more ambitious than simply delivering better alignment. With a clear plan establishing the strategic direction which is consistent with the emerging Strategic Plan, the interim arrangements offer an opportunity to put in place new approaches, tailored to and responding to the needs of the area, bringing together economic and community support. Agencies already operating in the area will need to do things differently to support inclusive growth and join up enterprise and skills support, exploring the potential of digital delivery. During the interim period there will be scope to: learn from approaches elsewhere building collaboration and working across boundaries, linking to other elements of the Enterprise and Skills review; look at industries and opportunities of the future; and develop a new approach to growth, based on empowered, engaged workforces that foster innovation and drive productivity.

### **A structure for interim approach**

8. As well as establishing the priorities for activity in line with a clear direction and vision, there needs to be an effective structure to enable delivery. The potential structure needs to ensure that some key principles can be met:

- Making a difference - a focus on establishing strategic direction and delivery, supporting regional growth;
- Deliverability - how quickly the approach could be put in place;
- Alignment – maximising the impact of current activity;
- Flexibility – doing new things, testing approaches and evolving;
- Prioritisation – realistic and pragmatic with clear priorities and ambition;
- Supportive of inclusive growth and fairness;
- Leadership – ensuring the confidence of local leaders across the South of Scotland (local authorities, public, private third sectors and FE/HE bodies);
- Representative – able to act as voice of South locally and represent the interests of the South nationally, including in the Strategic Board;
- Engaging - with stakeholders including work force representatives, the private sector and the third sector;
- Responsive – to the needs of those using services;

- Supportive of the end goal - complements work to develop SOSEA.

9. We assessed four potential structural options through which the interim arrangements could be delivered looking at which best met those key principles. Our options were: a partnership, a local authority joint committee, under the auspices of an existing agency or a new Scottish Government company.

10. Each of the options has different strengths and **Annex A** sets out a detailed assessment of the options against the key principles. That assessment (supported by stakeholders) suggests that the first option, for a partnership bringing together the key organisations operating in the South of Scotland behind an agreed partnership agreement, is the most compelling one. It builds on the collaborative approach to date and captures the enthusiasm and commitment to making a new approach work. It can be delivered quickly and ensures the focus is on making a difference.

11. We are therefore taking forward work to develop the detail of the partnership structure. We expect the partnership to be chaired by someone from the private sector and that it will look to include private sector interests, ensuring a consistent approach with the work being done to develop regional partnerships and with the Strategic Board.

### **Ensuring successful partnership delivery**

12. To enable the partnership to be successful it will need to be supported by people and financial resource. Key to success will be the appointment of a lead individual to co-ordinate the partnership. This post is best filled by a senior official familiar with the public sector and enterprise and skills systems operating in the South of Scotland and we are exploring potential candidates. The lead individual will need to draw on a cross-organisational team to focus on delivery and able to use the staff and resources from existing organisations to deliver partnership priorities.

13. Discussions about financial resources necessary to support interim arrangements continue. Ensuring that current investment and budget are identified and aligned to deliver maximum impact is a key factor. Consideration of the funding requirements for SOSEA and the interim arrangements is being undertaken as part of the Scottish Government's Draft Budget process. We expect the key organisations to ensure the resources they are investing to support growth in the area are used to support the agreed priorities being delivered as part of the interim arrangements. The Scottish Government will allocate the budget for the new agency in advance of its establishment. This will include a transfer of resource from those bodies currently delivering work that will transfer to the new agency.

14. Continued stakeholder engagement to build support for the interim approach is important and ongoing engagement will be a key feature of the interim period. This also needs to include effective staff consultation with those working across economic development in the South.

### **Conclusion**

**15. The Implementation Board is invited to note progress in developing the interim approach and to endorse the assessment that activities should best be delivered in the interim period through a partnership. The Board is also invited to agree that work should be taken forward to refine the detail of how the partnership will operate and the resources needed to ensure it is able to deliver successfully. This will enable final recommendations to be brought to the Board for consideration at its September meeting.**

Scottish Government  
August 2017

**ANNEX A****INTERIM ARRANGEMENTS - STRUCTURES**

**1 - Partnership** – ministers would write to the local authorities and four agencies inviting them to work with business and education leaders to establish a partnership supported by a partnership agreement, setting out arrangements for how the partnership might operate, including a private sector chair and that private sector interests are an integrated part of the arrangements.

Assessment against key principles

Principles	Assessment
<ul style="list-style-type: none"> <li>• Making a difference</li> </ul>	<ul style="list-style-type: none"> <li>• Met – no time lost in governance discussions but may not feel new</li> </ul>
<ul style="list-style-type: none"> <li>• Deliverability</li> </ul>	<ul style="list-style-type: none"> <li>• Met – quick to implement</li> </ul>
<ul style="list-style-type: none"> <li>• Alignment</li> </ul>	<ul style="list-style-type: none"> <li>• Met – brings partners together in a common structure to support a common vision</li> </ul>
<ul style="list-style-type: none"> <li>• Flexibility and able to evolve</li> </ul>	<ul style="list-style-type: none"> <li>• Met – should be fleet of foot and able to adapt to circumstances although this will depend on individual partners' commitment</li> </ul>
<ul style="list-style-type: none"> <li>• Prioritisation - pragmatic but ambitious</li> </ul>	<ul style="list-style-type: none"> <li>• Met – partnership agreement opportunity to ensure clear ambition</li> </ul>
<ul style="list-style-type: none"> <li>• Inclusive growth and fairness</li> </ul>	<ul style="list-style-type: none"> <li>• Met – picked up in activities and informs prioritisation and could adopt best practice from across organisations supporting the partnership</li> </ul>
<ul style="list-style-type: none"> <li>• Confidence of local leaders</li> </ul>	<ul style="list-style-type: none"> <li>• Met – structure brings in public, private, third and education sectors to support aligned strategy and joined up partnership</li> </ul>
<ul style="list-style-type: none"> <li>• Act as voice of South</li> </ul>	<ul style="list-style-type: none"> <li>• Met – key local leaders committed to structure and able to represent on national structures</li> </ul>
<ul style="list-style-type: none"> <li>• Engaging – across workforce representation, private and third sectors</li> </ul>	<ul style="list-style-type: none"> <li>• Met – partnership structure will be open to engagement with stakeholders and that engagement will be key part of approach</li> </ul>
<ul style="list-style-type: none"> <li>• Responsive to the needs service users</li> </ul>	<ul style="list-style-type: none"> <li>• Met – although partners need to be receptive to doing things differently which may impact on delivery models</li> </ul>
<ul style="list-style-type: none"> <li>• Supportive of end goal - complements work to develop SOSEA</li> </ul>	<ul style="list-style-type: none"> <li>• Met – does not detract from SOSEA work and will inform and strengthen approach</li> </ul>

**2. Through local government legislation** - using the Local Government Scotland Act 1973, the local authorities could establish a joint committee (JC) to oversee the delivery of the interim arrangements. The JC could have members other than from local authorities although the legislation requires two thirds of members to be councillors.

Principles	Assessment
<ul style="list-style-type: none"> <li>• Making a difference</li> </ul>	<ul style="list-style-type: none"> <li>• Partially met – agreeing governance could take early focus away from delivery. JC would require on staff of other organisations to deliver activity</li> </ul>
<ul style="list-style-type: none"> <li>• Deliverability</li> </ul>	<ul style="list-style-type: none"> <li>• Partially met – could take some time to implement, agreeing structure and membership</li> </ul>
<ul style="list-style-type: none"> <li>• Alignment</li> </ul>	<ul style="list-style-type: none"> <li>• Partially met – structure clearly aligns local authorities and while legislation permits other organisations to be members would need to work at that alignment</li> </ul>
<ul style="list-style-type: none"> <li>• Flexibility and able to evolve</li> </ul>	<ul style="list-style-type: none"> <li>• Partially met – but changes to approach would require changes to standing orders that would need to be agreed by local authorities.</li> </ul>
<ul style="list-style-type: none"> <li>• Prioritisation - pragmatic but ambitious</li> </ul>	<ul style="list-style-type: none"> <li>• Met – joint committee could agree strategic vision for area as part of interim arrangements</li> </ul>
<ul style="list-style-type: none"> <li>• Inclusive growth and fairness</li> </ul>	<ul style="list-style-type: none"> <li>• Met – local authorities clearly committed to inclusive growth and fairness agenda</li> </ul>
<ul style="list-style-type: none"> <li>• Confidence of local leaders</li> </ul>	<ul style="list-style-type: none"> <li>• Partially met – would clearly deliver local authority leaders but while legislation enables other organisations to be members of committee, it may be seen as complex for other organisations to engage and could feel local authority dominated, at least during initial phases and other local leaders may have less confidence in structure and feel excluded from it</li> </ul>
<ul style="list-style-type: none"> <li>• Act as voice of South</li> </ul>	<ul style="list-style-type: none"> <li>• Met – would have elected members acting as voice of south</li> </ul>
<ul style="list-style-type: none"> <li>• Engaging – across workforce representation private and third sectors</li> </ul>	<ul style="list-style-type: none"> <li>• Partially met – risk that structure felt local authority dominated and distant from other sectors</li> </ul>
<ul style="list-style-type: none"> <li>• Responsive to the needs service users</li> </ul>	<ul style="list-style-type: none"> <li>• Partially met – this model is more about governance than delivery and meeting service users' needs would rely on other organisations to change their delivery</li> </ul>
<ul style="list-style-type: none"> <li>• Supportive of end goal - complements work to develop SOSEA</li> </ul>	<ul style="list-style-type: none"> <li>• Partially met – may not provide operating environment that aligns with all partners</li> </ul>

**3. Under the auspices of an existing agency** – one of the existing agencies operating in the South of Scotland would be asked to deliver the interim arrangements as a new and distinct part of its operation. SE has the closest remit and could establish an internal structure (division or company) to take on the role.

Principles	Assessment
<ul style="list-style-type: none"> <li>• Making a difference</li> </ul>	<ul style="list-style-type: none"> <li>• Partially met – focus would remain on delivery but perception about nothing new in approach and agency limited by existing remit</li> </ul>
<ul style="list-style-type: none"> <li>• Deliverability</li> </ul>	<ul style="list-style-type: none"> <li>• Met – could be quickly delivered</li> </ul>
<ul style="list-style-type: none"> <li>• Alignment</li> </ul>	<ul style="list-style-type: none"> <li>• Not met – structure may feel like it was led and dominated by one agency</li> </ul>
<ul style="list-style-type: none"> <li>• Flexibility and able to evolve</li> </ul>	<ul style="list-style-type: none"> <li>• Met – agency could adapt to circumstances as long as in line with remit</li> </ul>
<ul style="list-style-type: none"> <li>• Prioritisation - pragmatic but ambitious</li> </ul>	<ul style="list-style-type: none"> <li>• Partially met – strength of option is in deliverability and lack of disruption to existing provision – however could lead to criticism it's nothing new</li> </ul>
<ul style="list-style-type: none"> <li>• Inclusive growth and fairness</li> </ul>	<ul style="list-style-type: none"> <li>• Met – in line with agency's current commitment to inclusive growth and fairness activity</li> </ul>
<ul style="list-style-type: none"> <li>• Confidence of local leaders</li> </ul>	<ul style="list-style-type: none"> <li>• Not met – local leaders likely to feel excluded from arrangement although could be addressed bringing them into oversight structure.</li> </ul>
<ul style="list-style-type: none"> <li>• Act as voice of South</li> </ul>	<ul style="list-style-type: none"> <li>• Partially met – SE represent South but as organisation may have tension around wider geographic coverage and other leaders could feel excluded</li> </ul>
<ul style="list-style-type: none"> <li>• Engaging – across workforce representation private and third sectors</li> </ul>	<ul style="list-style-type: none"> <li>• Partially met – risk that structure felt SE dominated, with other sectors not supportive or engaged</li> </ul>
<ul style="list-style-type: none"> <li>• Responsive to the needs service users</li> </ul>	<ul style="list-style-type: none"> <li>• Partially met – if user needs are within existing SE remit, would need to work closely with other organisations to address other needs and align with other activities</li> </ul>
<ul style="list-style-type: none"> <li>• Supportive of end goal - complements work to develop SOSEA</li> </ul>	<ul style="list-style-type: none"> <li>• Met – interim structure could be “lifted” in to SOSEA and not take up separate time</li> </ul>

**4 – A new company** – in this option, ministers would establish a new company to deliver the arrangements.

Assessment against key principles

Principles	Assessment
<ul style="list-style-type: none"> <li>• Making a difference</li> </ul>	<ul style="list-style-type: none"> <li>• Not met – time taken to establish company would lead to uncertainty and disruption to delivery – staffing issues would need to be worked through</li> </ul>
<ul style="list-style-type: none"> <li>• Deliverability</li> </ul>	<ul style="list-style-type: none"> <li>• Not met – time consuming to implement</li> </ul>
<ul style="list-style-type: none"> <li>• Alignment</li> </ul>	<ul style="list-style-type: none"> <li>• Not met – company structure would cut across current arrangements and would not feel owned by partners</li> </ul>
<ul style="list-style-type: none"> <li>• Flexibility and able to evolve</li> </ul>	<ul style="list-style-type: none"> <li>• Partially met – role could adapt to circumstances</li> </ul>
<ul style="list-style-type: none"> <li>• Prioritisation - pragmatic but ambitious</li> </ul>	<ul style="list-style-type: none"> <li>• Partially met – clearly new and different and focused on ambitious but less realistic</li> </ul>
<ul style="list-style-type: none"> <li>• Inclusive growth and fairness</li> </ul>	<ul style="list-style-type: none"> <li>• Partially met – would need to demonstrate that it was commitment to the agenda and act to deliver it</li> </ul>
<ul style="list-style-type: none"> <li>• Confidence of local leaders</li> </ul>	<ul style="list-style-type: none"> <li>• Partially met – would need to establish a board to bring in local leaders</li> </ul>
<ul style="list-style-type: none"> <li>• Act as voice of South</li> </ul>	<ul style="list-style-type: none"> <li>• Not met – untested and would require local leaders to commit to structure</li> </ul>
<ul style="list-style-type: none"> <li>• Engaging – across workforce representation private and third sectors</li> </ul>	<ul style="list-style-type: none"> <li>• Partially met – engagement needed as structure developed</li> </ul>
<ul style="list-style-type: none"> <li>• Responsive to the needs service users</li> </ul>	<ul style="list-style-type: none"> <li>• Met –although would take time to deliver and respond</li> </ul>
<ul style="list-style-type: none"> <li>• Supportive of end goal - complements work to develop SOSEA</li> </ul>	<ul style="list-style-type: none"> <li>• Partially met – company could “become” SOSEA but its development would take time away from delivery and process to develop SOSEA although could address some of the structural issues in advance. However, time consuming for temporary arrangement that would later need to be undone</li> </ul>