

Strategic Board Planning Process

Background

As agreed at the Implementation Board meeting of July 31st this note sets out a possible timeline and process to support the development of a Strategic Plan by the Strategic Board.

The planning cycle

The proposed planning cycle is presented in two diagrams. The first of these outlines a possible timescale and steps required for the production of a Strategic Plan between November 2017 and June 2018. The second diagram outlines a proposed annual review process for subsequent years.

The proposed timeline is broadly aligned with the planning cycles of Government and agencies, and reflects a number of working assumptions:

- An induction process for Strategic Board members to develop a shared understanding of the enterprise and skills landscape in Scotland, following their first meeting in November.
- A planned programme of engagement with agencies, delivery partners, businesses, and users of the enterprise and skills system, throughout the planning cycle.
- An overview of the economic environment and assessment of how Scotland performs is shared by the new Analytical Unit. This will draw on the evidence of key opportunities and challenges and the potential response required from Scotland's enterprise and skills system.
- An annual, all-day meeting of the Strategic Board ("Conference"), in January 2018, to discuss and agree the content of the Strategic Plan including key priorities and areas for collaboration.
- The Strategic Plan will inform the wider planning cycles of the enterprise and skills system e.g. Programme for Government or Strategic Guidance from Ministers to agencies.
- Publication of the Strategic Plan by June 2018.

A key assumption is the Strategic Plan will reflect the longer-term nature of the challenge and therefore a **five-year planning horizon** is proposed (within a longer 15-20 year strategic vision for change), with a significant "mid-term" progress review in year 3.

An annual update of the plan is proposed to reflect progress against prioritised actions and based on an updated economic analysis of Scotland's competitiveness. This will take account of key issues emerging from Government and the changing economic context while remaining focused on the longer term goal.

The key dependency in Year 1 is the availability of sufficient evidence of Scotland's performance, challenges and opportunities to enable the Strategic Board to prioritise within a strategic plan. Any delay in the establishment of the analytical unit, which will undertake this work, should be addressed by continued collaborative working between Scottish Government, agencies and partners.

Conclusion

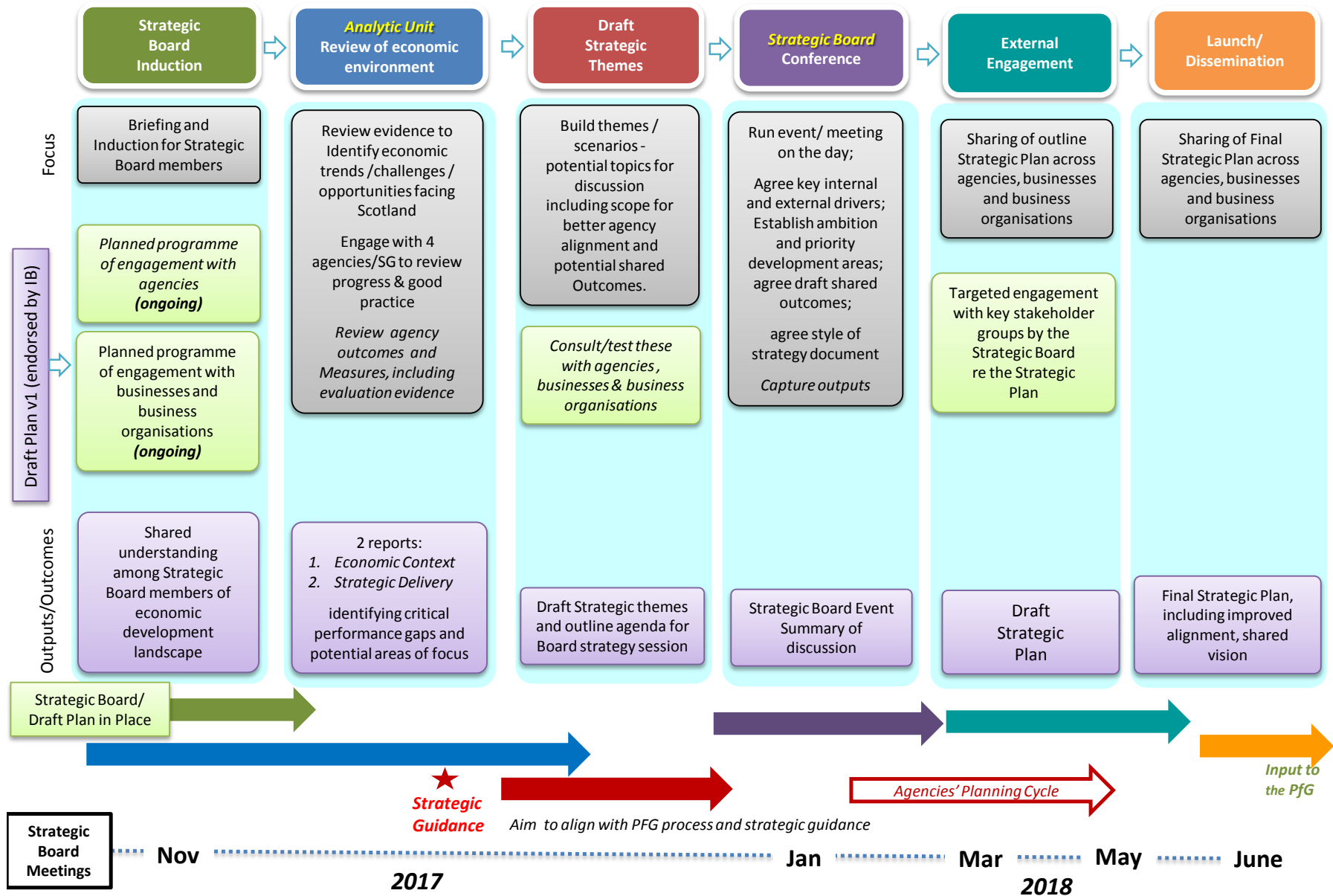
Implementation Board Members are invited to endorse the proposed planning cycle, and the assumptions set out on timeframe, analysis, milestones and ongoing engagement with stakeholders.

Strategic Plan Short Life Group

21st September 2017

The Strategic Planning Cycle 1

YEAR 1

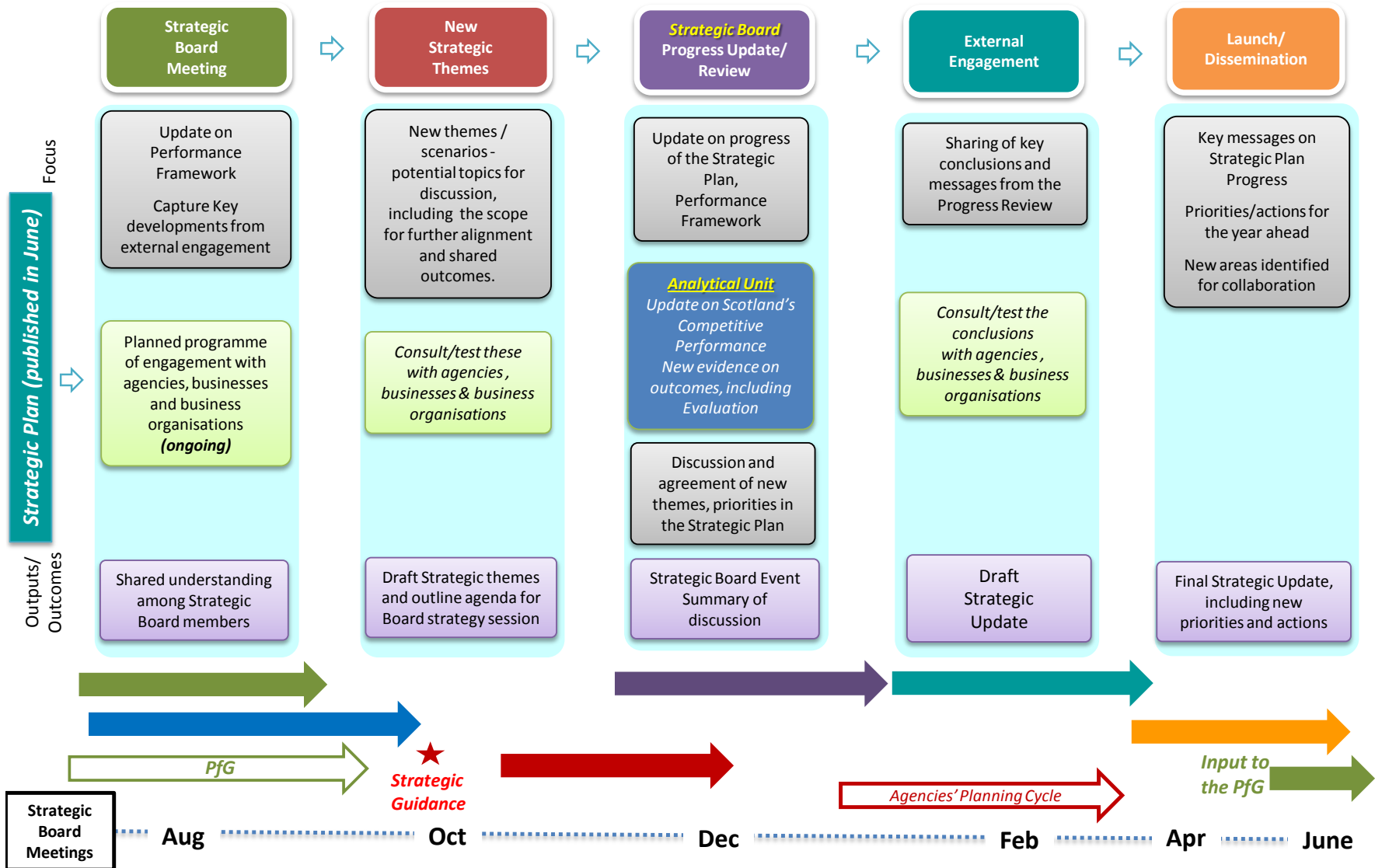


The Strategic Planning Cycle 2

ANNUAL

2018: *Plan Published*
2019: Yr 1 Review
2020: Yr 2 Review

2021: Mid-term Review/Update
2022: Preparing the next plan
2023: *New Plan*



INTERIM PLAN & STRATEGIC PLANNING PROCESS

Background

The Implementation Board is asked to approve the attached papers to provide the Strategic Board with:

- advice on **the shape and focus of the Strategic Plan**
- **a strategic planning process** to develop the content of the Strategic Plan
- **an Interim Plan** for the Implementation Board's approval to drive forward collaborative actions now whilst the strategic plan is being developed.

The Interim Plan

The Interim Plan has been further developed to reflect feedback from the Implementation Board at its meeting on 30 August, in particular:

- Further clarifying the ambition of the plan
- Fewer and stronger collaborative actions
- Strengthening the regional and sustainability perspectives

In addition, a number of actions to be delivered by individual agencies have been added.

Further issues for the Strategic Board to consider

The development of the Interim Plan has itself strengthened collaborative work across the agencies, and with the Scottish Government, through the short-term steering group and working group. This has enabled considerable progress including identifying issues that have still to be worked through to conclusion or observations on what can help collaborative working going forward. As the Strategic Board develops its Strategic Plan these are hopefully helpful insights for consideration:

- The interim plan is focussed on where the 4 agencies can collectively make a positive difference. This includes identifying constraints and opportunities that require action from others. However, the Strategic Board will need to be clear on whether the Strategic Plan is a plan for the Board's agencies or a broader plan for the economy, involving a wider range of partners. This has been a point of discussion throughout this process.
- The Scottish Government has a key decision making role in areas requiring wider action, eg transport and digital connectivity, and also in setting the overall strategic direction. Discussion during the development of the interim plan has highlighted the need for clearer alignment (or a smaller number) of SG strategies and performance frameworks to increase clarity of direction.

- The development of the plan highlighted the importance of the interaction between the productivity drivers and the inclusive growth factors. It will be critical that the work of the Strategic Board, and any sub-committees, reflects the need for a fully integrated approach.
- Work on the interim plan has been closely connected to progress on the performance framework and governance structure workstreams. As the Strategic Plan is developed, it will be critical for the Strategic Board to drive a coherent plan for change that easily cascades through the way it operates across the performance framework, any sub committees, and engagement with Agency Boards and others.
- The interim plan, in its role of maintaining the momentum from the Review, has a relatively short lifespan but the ideal longer term time horizon – perhaps 15 to 20 years - and planning cycle for the Strategic Plan are still to be agreed. The Strategic Board will need to balance the advantages of a longer time horizon, reflecting the scale of the challenge, and the potential to influence shorter-term policy and funding decisions.
- A consistent theme from this work is the need to make robust, informed decisions about longer term choices and priorities based on an in-depth analysis of Scotland's economic performance gaps and the actions that can impact on these. The Analytical Unit will be a critical resource to inform these choices and it will be important to commission this analysis as quickly as possible, perhaps ahead of the unit being fully established.
- The Strategic Plan short-life working group and steering group have developed a strong sense of team working and maintaining this momentum will be important.

Recommendations

To maintain momentum on delivery of the Interim Plan in the period between now and the Strategic Board's first meeting in early November, it is recommended that the Implementation Board:

1. Approves the Interim Plan and the collaborative actions highlighted in it
2. Tests this approach in an early meeting with Nora Senior, Chair of Strategic Board
3. Asks the short-life working group to populate further detail on the collaborative actions for these to be taken forward and to finalise the Interim Plan

Strategic Plan Short Life Group

21st September 2017

Interim Plan

Implementation Board

28 September 2017

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It is recommended the **Implementation Board** provides the **Strategic Board** with:

- advice on **the shape and focus of the Strategic Plan**
- **a strategic planning process** to develop the content of the Strategic Plan
- **an Interim Plan** to drive forward collaborative actions now whilst the strategic plan is being developed.

This paper sets out what can be influenced and driven forward at this stage, **primarily the work of the four existing agencies (incorporating South of Scotland agency as it comes on stream)**. It recognises the importance of agencies working alongside partners at the local, regional and national levels.

The Interim Plan sets out **key actions**, avoiding a hiatus before the Strategic Board has a fully developed Strategic Plan it can own and drive. Given the level of ambition and the significant challenges in delivering inclusive economic growth, the likely time horizon of the Strategic Plan will be longer term – perhaps 15 to 20 years – with a regular review and updating cycle.

The Interim plan focuses on **enhanced and new collaboration** to deliver more inclusive economic growth in Scotland. The plan also highlights a small number of activities of the individual agencies and is seen for now, as the **bridge between Scotland's Economic Strategy and the agency operating plans**, but does not duplicate their content.

Level of Ambition

Scotland has the ambition **to rank among the top quartile of OECD countries for productivity, equality and sustainability** by creating:

- a **dynamic, inclusive, globally competitive economy** - An economy that competes internationally and adapts to rapid change, through high productivity and strong economic and labour market assets, recognising the importance of fair work and tackling inequality across Scotland.
- a **high performing, inclusive labour market** - A labour market which efficiently and equitably matches supply and demand, where skills and talent drive economic growth, while raising participation, earnings and wellbeing across Scotland.

The ambition is to create a Labour Market which:

- Has a demand for labour arising from innovation, growth and higher added value activity.
- Has a supply of labour which is skilled and reflects the diversity of our regions and is representative of all our communities.
- Functions efficiently, providing access to work and equality of opportunity and outcome.

And an Economy which:

- Enjoys higher productivity, driven by investment in capital and people, and higher levels of innovation, internationalisation, fair work practices and resource efficiency, resulting in more and better jobs
- Enables more ambitious businesses across all of Scotland to prosper and grow to scale
- Capitalises on assets across the country to build opportunities for Scotland to lead globally in the technology-driven and low carbon industries of the future

Level of Ambition (cont)

Scotland's progress towards this ambition will be tracked by the Strategic Board's Performance Framework at **national and regional** levels, ensuring **all** of Scotland benefits from and contributes to a **dynamic, inclusive, globally competitive economy** with a **high performing, inclusive labour market**. The performance gaps set out below represent significant challenges that will require a concerted effort over decades rather than years to address.

To match top performing countries, the key performance gaps include:

Productivity (GDP per hour): Scotland needs an increase of £9.60 (+27%) to reach the OECD top quartile

Inequality (Palma co-efficient): Scotland needs to reduce income inequality by 13 % points to reach OECD top quartile

Sustainability (Greenhouse Gas Emissions): Scotland needs to repeat its 40% reduction over the last 20 years to meet its world leading 80% reduction target by 2050

High Performing, Inclusive Labour Market

Participation: Scotland needs 85,000 more people to participate in the labour market to reach the OECD top quartile

Skills: Scotland needs to reduce from 12% the proportion of the workforce with no or low accredited skills and improve skills utilisation, reducing underemployment

Job Quality: Scotland needs to reduce towards zero the 20% of employees in Scotland earning less than the Real Living Wage (the Fair Work Convention Measurement Framework will help better define success on Job Quality)

Dynamic, Inclusive, Globally Competitive Economy

Internationalisation: Scotland needs 5000 more exporting businesses (+45%) to reach GB nation & region top quartile

Innovation: Scotland needs to triple investment in business R&D (+£1.9b) to reach the OECD top quartile

Investment: Scotland needs £10b (+95%) more business investment to reach the OECD top quartile

Success on each indicator will be defined by performance across **all regions of Scotland** as well as at the national level.

Vision: To make Scotland a more successful country, with opportunities for all to flourish, through increasing sustainable economic growth
Long-term goal: “Scotland to rank amongst the *top quartile* of OECD countries for *productivity, equality & wellbeing and sustainability*”

...working within the strategic frame provided by:

Increasing Competitiveness

SCOTLAND'S ECONOMIC STRATEGY
(and related SG Strategies)

Reducing Inequality

NATIONAL PERFORMANCE FRAMEWORK

INCLUSIVE GROWTH FRAMEWORK

...focussed on the enterprise and skills systems, to achieve:

Dynamic, inclusive, globally competitive economy

Providing high quality jobs and labour market demand

High performing, inclusive labour market

Providing better access to jobs, higher earnings and supplying the people and skills the economy requires

Shaped by the *Drivers of Productivity and Growth*, set out in the Phase 2 Report:

SKILLS

INNOVATION

INVESTMENT

INTERNATION -
ALISATION

ENTERPRISE

The plan will set out actions to address these drivers in a way that promotes fair work, tackles inequalities across Scotland and generates long term sustainable growth (These factors are defined on the next slide):

FAIR WORK

PEOPLE

PLACE/ REGIONAL

SUSTAINABLE &
RESOURCE
EFFICIENT

Strategic Direction & Focus: Ensuring Inclusive Growth drives the Plan

The **Strategic Plan** will focus on achieving **inclusive economic growth** by ensuring **actions set out in the plan contribute to one or more of the factors** described below:

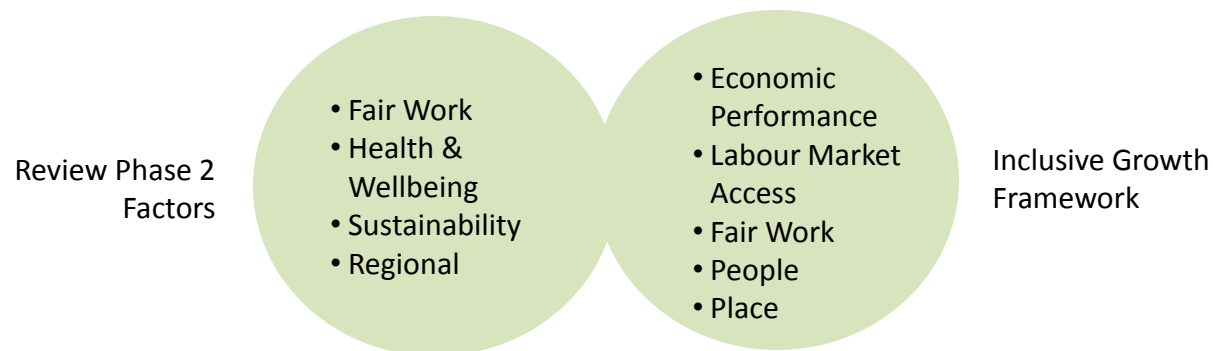
Fair Work: result in work that offers effective voice, opportunity, security, fulfilment and respect; that balances the rights and responsibilities of employers and workers and that can generate benefits for individuals, organisations and society.

People: contribute to economic benefits & opportunities being spread more widely across the population, with lower poverty levels & more equal income & wealth distribution.

Place/Regional: help create more economic opportunities across cities, towns, regions & rural areas, ensuring sustainable communities.

Sustainable & Resource Efficient: maximise positive economic effect of transitioning to more resource efficient, lower carbon economy.

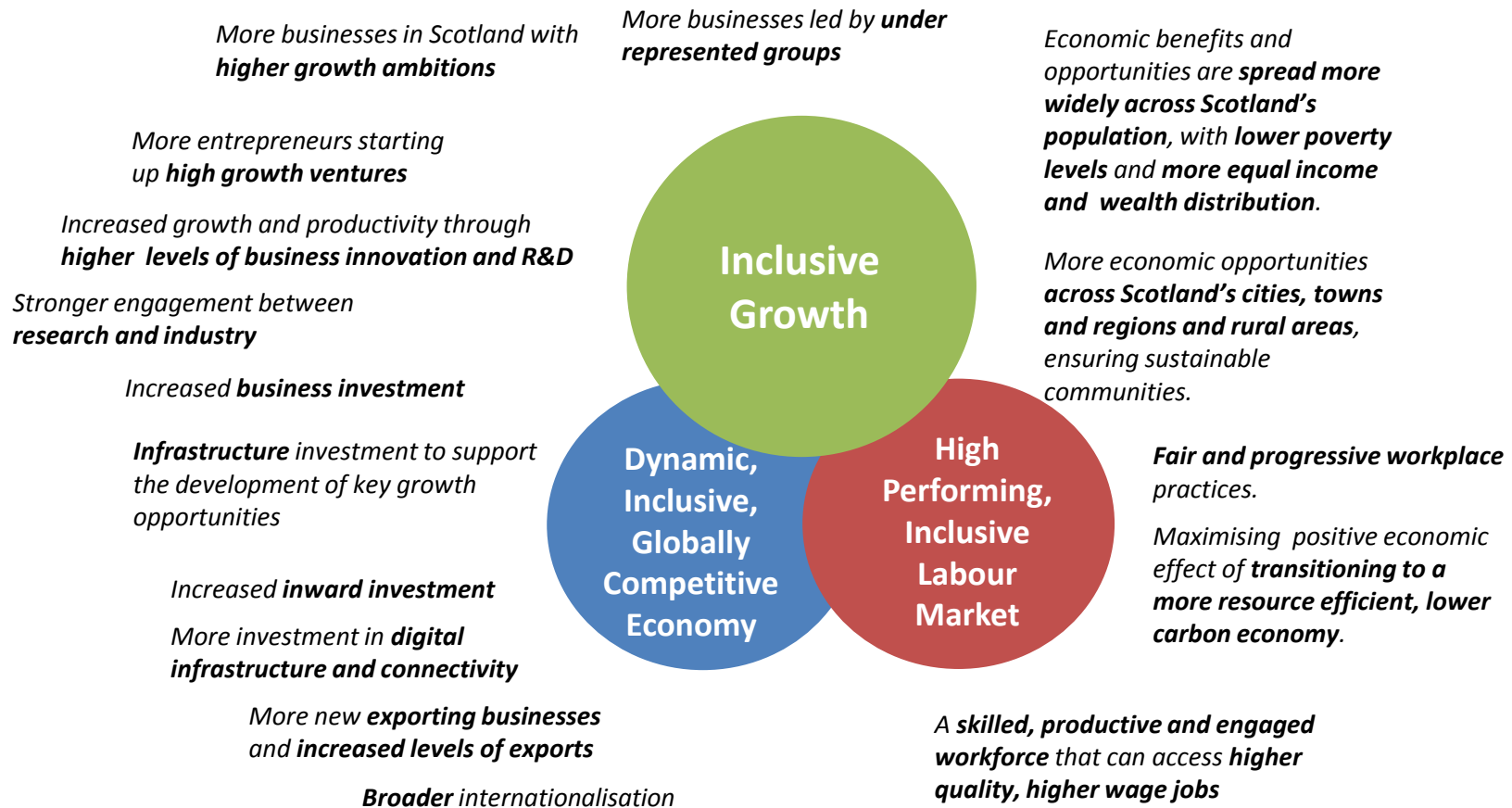
These 4 factors are drawn from the Phase 2 Review and the Inclusive Growth Framework including using wording lifted directly from it. It draws on the Fair Work Convention including their work on the IG Diagnostic in North Ayrshire and South of Scotland:



In the 4 factors proposed:

- “Health & Wellbeing” is included within “People”
- “Labour Market Access” is included within the “Skills” productivity driver
- “Economic performance” is included within the 5 productivity drivers

To achieve the goal of increased **prosperity and wellbeing** for Scotland's people, the plan must make a long-term impact on productivity, equality and sustainability outcomes. Progress towards these outcomes will be **guided by the outputs below**.



Collaborative Actions

The collaborative actions set out in the next 5 slides are drawn from the **Enterprise & Skills Review** as well as further input from joint agency working.

They set out areas where the agencies, **by collaborating more effectively**, will drive improvements now, and benefits can be visible within the next year. This will help ensure no delay in action as the Strategic Board develops the Strategic Plan.

Whilst these actions offer the opportunity for enhanced collaboration among the agencies, and with other partners, in areas of significant impact, in themselves, they will not close Scotland's performance gaps. They can however provide early wins to build on to deliver more transformational change and embed a culture of collective leadership.

The collaborative actions identify which Productivity Drivers and Inclusive Growth factors they contribute to and provide a potential template for the longer-term Strategic Plan.

Collaborative Actions: Innovation

The ambition is:

- to boost levels of innovation, including R&D and workplace innovation, among Scottish businesses
- to strengthen capability in sector opportunities where Scotland can compete globally and boost productivity

Proposed actions include:

Outcome	Collaborative actions	New or Enhanced	IG Factors & other Drivers	Lead & By When	Ask of other partners	Likelihood of impact/ Risk
Increased growth through higher levels of business innovation; Increased growth through higher levels of R&D	Cross-agency approach to increasing productivity through stimulating innovation across regions and the broader business base (including Make More Innovation Happen service to engage 10,000 new innovation active businesses over 5 years) and stimulating increased business R&D	Enhanced (Source: E&SR Phase 2 and Innovation Action Plan (IAP))	Place; People Fair Work; Enterprise	To be populated at next stage		
Stronger engagement between research and industry	Single approach to prioritising between, and maximising the benefits from, centres of excellence and Innovation Centres	Enhanced (E&SR Phase 2)	Sustainable			
Growth in Scotland's globally competitive sectors & opportunities	Prioritised delivery of Manufacturing Action Plan, including National Manufacturing Institute for Scotland and addressing the need for greater investment and skills development in manufacturing	Enhanced (E&SR Phase 2 and IAP)	Place; Sustainable; Investment; Skills			

When the Performance Framework is in place, the expected impact of the set of actions on closing the relevant performance gap relative to top quartile economies will be estimated

Collaborative Actions: Skills

The ambition is:

- to enhance the skills system, increasing the match between demand and supply, in pursuit of a high performing, inclusive labour market

Proposed actions include:

Outcome	Collaborative actions	New or Enhanced	IG Factors & other Drivers	Lead & By When	Ask of other partners	Likelihood of impact/ Risk
A skilled, productive & engaged workforce that can access higher quality, higher wage jobs	Develop and implement the five stage Skills Alignment model, including skills planning at the regional and sectoral levels. Early actions include appointment of Director of Skills Alignment and development of joint working practices between SDS and SFC	New (E&SR Phase 2)	People; Places; Fair Work; Enterprise; Innovation			
A skilled, productive & engaged workforce that can access higher quality, higher wage jobs	Cross-agency approach on skills utilisation through boosting leadership and management capabilities, and support for progressive, fair work management practice	Enhanced (Strategic Plan Short Life Working Group (SPSLWG))	People; Fair Work; Enterprise; Innovation			
A skilled, productive & engaged workforce that can access higher quality, higher wage jobs	Implementation of learner journey approach to developing a more responsive and agile skills system to better meet the needs of individuals and the labour market	New (E&SR Phase 2)	People; Places			

To be populated at next stage

When the Performance Framework is in place, the expected impact of the set of actions on closing the relevant performance gap relative to top quartile economies will be estimated

Collaborative Actions: Investment

The ambition is:

- to ensure investment enables Scotland and all of its regions to maximise their potential.

Proposed actions include:

Outcome	Collaborative actions	New or Enhanced	IG Factors & other Drivers	Lead & By When	Ask of other partners	Likelihood of impact/ Risk
Infrastructure investment to support development; Increased inward investment	Develop a single cross-agency approach, including development of a register of economic assets (focussed on sector, skills and HE/FE strengths), to work jointly with regional partnerships to maximise investment opportunities	New (E&SR Phase 2)	Place; Sustainable; Internationalisation; Skills			
Increased inward investment	Develop enhanced skills support for inward investment and increased ability to respond to investment opportunities	Enhanced (E&SR Phase 2)	Place; Skills			
Infrastructure investment to support development; Increased inward investment	Jointly develop an approach to boosting capital investment, working with national and regional partners to lever investment , building on the early work on attracting investment into Scotland's infrastructure	New (SPSLWG)	Place; Enterprise; Internationalisation; Sustainable			

To be populated at next stage

When the Performance Framework is in place, the expected impact of the set of actions on closing the relevant performance gap relative to top quartile economies will be estimated

Collaborative Actions: Internationalisation

The ambition is:

- to encourage an outward-looking, global mindset among many more businesses and enhance support for more businesses to internationalise

Proposed actions include:

Outcome	Collaborative actions	New or Enhanced	IG Factors & other Drivers	Lead & By When	Ask of other partners	Likelihood of impact/ Risk
Broader internationalisation	Maximise the impact of Scotland's strong global footprint (eg universities, Connected Scotland, Global Scot), including using international research alliances to open up opportunities for Scottish businesses & inward investment	Enhanced (E&SR Phase 2)	Place; Skills; Innovation; Investment	To be populated at next stage		
More exporting businesses and increased exports	Enable more businesses across a range of sectors to have the capacity and capability to trade through increased coverage of regional export partnerships, and link agencies, business gateway, chamber, trade associations etc to boost support for exports and broader internationalisation (eg joint ventures, outward investment).	Enhanced (E&SR Phase 2)	Place; Enterprise; Skills; Innovation			

When the Performance Framework is in place, the expected impact of the set of actions on closing the relevant performance gap relative to top quartile economies will be estimated

Collaborative Actions: Enterprise

The ambition is:

- to make business support accessible to more businesses and ensure businesses with the potential to grow to scale get the support they need
- to maximise the potential of under-represented groups and places

Proposed actions include:

Outcome	Collaborative actions	New or Enhanced	IG Factors & other Drivers	Lead & By When	Ask of other partners	Likelihood of impact/ Risk
More businesses in Scotland with higher growth ambitions	Joint improvement programme to deliver cohesive system of business support across agencies and key partners (including innovation, exporting, skills), differentiated across regions	Enhanced (E&SR Phase 2)	Place; Fair Work;			
More businesses led by underrepresented groups	Joined up approach to tackling gender-gap and promoting diversity among start up and growth businesses	New (E&SR Phase 2)	People; Place; Fair Work			
More businesses in Scotland with higher growth ambitions	Joint approach to driving forward Scotland CAN DO Scale to enable more and better support for businesses to scale-up	Enhanced (E&SR Phase 2)	Place; People			
More businesses in Scotland with higher growth ambitions	Jointly develop approach to an enhanced entrepreneurial mindset that boosts Scotland's ambition at all levels from school onwards	New (E&SR Phase 2)	People; Place; Skills; Internationalisation; Innovation			

To be populated at next stage

When the Performance Framework is in place, the expected impact of the set of actions on closing the relevant performance gap relative to top quartile economies will be estimated

It is proposed that the Strategic Plan also includes a small number of actions from the individual agencies' operating plans that are critical to impacting on competitiveness and equality. Initial suggestions include:

Highlands & Islands Enterprise

- Delivery of digital infrastructure to reach 100% of premises in the HIE area at superfast speeds, alongside engagement and skills activity to drive benefits realisation
- Approach to identify and support opportunities to secure Scottish supply chain for key industries and sectors delivering growth through import substitution (eg Aquaculture / Liberty)
- Talent Attraction – create conditions to attract and retain talent in the region to address challenges in future workforce / skills / population / demographics.

Scottish Funding Council

- Invest in Joint Infrastructure Systems Committee (JISC) to provide network and IT solutions for colleges and universities, and enhance learning by exploiting developments in digital technology and the opportunities of a globally connected world.
- Work with colleges, universities and NHS Education Scotland to support the training and development of a high quality, diverse workforce in the NHS that has the right skills and values to deliver the 2020 Vision for the NHS in Scotland.
- Invest in and promote initiatives such as Interface, Innovation Vouchers and “easy access IP” to help stimulate innovation-driven growth in businesses in Scotland.
- Promote Scotland to the rest of the world through supporting colleges and universities in their recruitment of students and in the development of international collaborations and partnerships.
- Prioritise and implement carbon reduction capital investment programmes in partnership with colleges, universities, the Scottish Government and the Scottish Futures Trust

continued....

Scottish Enterprise

- Delivery of cross-sector opportunities where Scotland has the potential to lead globally –including a programme to develop Scotland’s supply chain capabilities in Advanced Manufacturing, an industry-led Fintech action plan, a business Data advisory service and support for Subsea Engineering companies into international markets.
- Stimulate business investment, innovation and growth across Scotland through the Scottish Investment Bank, Regional Selective Assistance, R&D support and specialist sector infrastructure, leveraging over £1.3bn of private sector investment in the 3 years to the end of 2017-18.
- Maintain and build SDI’s international presence, including doubling the presence in Europe, to enable Scotland’s internationalisation and help attract and retain over 22,000 mobile jobs to Scotland over 3 years to end of 2017-18.

Skills Development Scotland

- Continue progress towards the target of 30,000 Modern Apprenticeships to build business productivity and competitiveness
- Full implementation of Foundation Apprenticeships across Scotland and in growth sectors to ensure up to 5,000 FA starts by end 2019 and 10,000 FA starts by 2021
- Continue development of Graduate Level Apprenticeships across target sectors and institutions to provide additional work based learning routes at Degree level

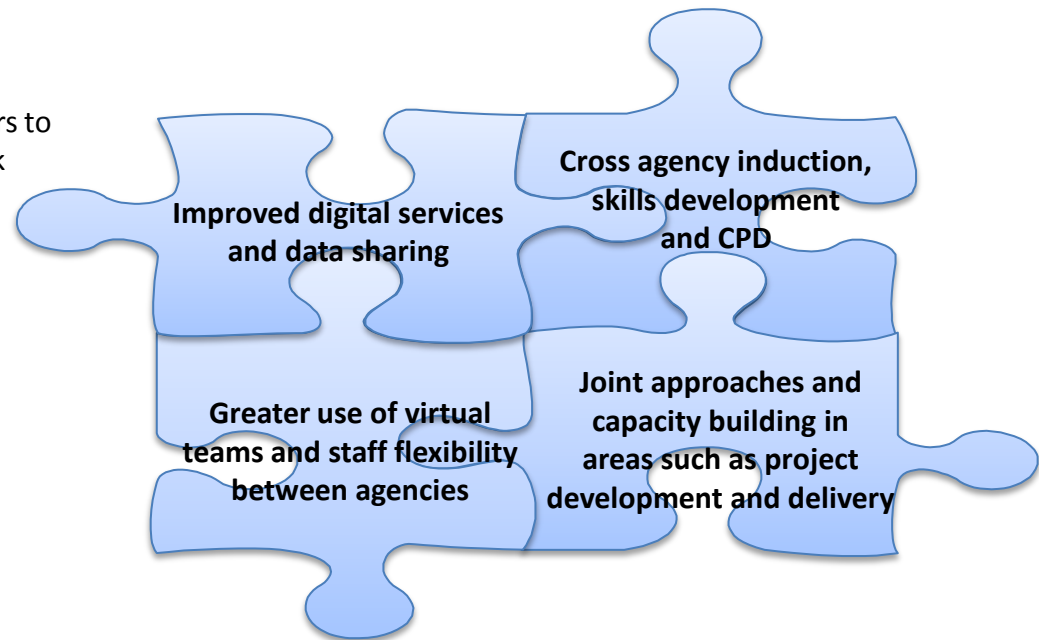
South of Scotland Agency

- To be developed

How We Work

The Strategic Plan will identify enablers and barriers to be addressed to allow the agencies and SG to work together more effectively.

Early thinking suggests these will include.....



This builds on a strong platform that exists already, for example in shared IT services. New ways of working will be required with a greater emphasis on co-creation between the agencies, with SG and with wider partners, within a culture of collective leadership.

As the longer-term Strategic Plan is developed, working with public, private, third and academic sector partners beyond the agencies and SG will be crucial to address Scotland's performance gap. The role of the private sector is vital as providers of solutions and expertise, in areas such as industry development, boosting productivity and business-to-business peer support.

The need for the Strategic Board to stimulate action beyond the agencies reflects the critical importance of areas such as **infrastructure, regulation, education, housing, transport, digital connectivity, childcare** and **competition** in creating a high performing, inclusive labour market and a dynamic, inclusive globally competitive economy. The Strategic Board will have a **powerful influencing role** in understanding and setting out these challenges for Scottish Government and other partners.

Close working with others, particularly local, regional and national partners to ensure the plan meets the diverse needs of Scotland's regions is critical.

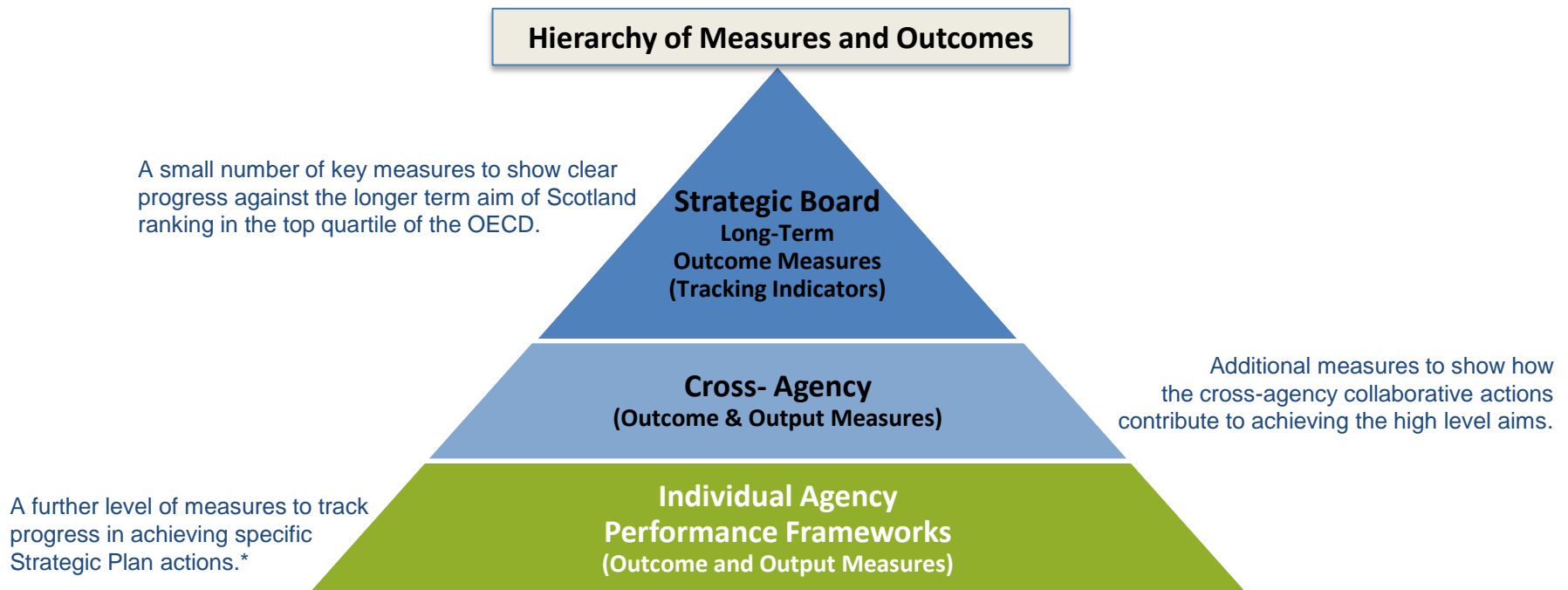
How we Measure Progress Towards Success

A Performance Framework is being developed to track:

- long term economic performance (tracking indicators) improvements against specified high-level OECD performance measures
- outcomes and outputs of greater collaborative working across the agencies
- individual agency level actions, measures and milestones drawn from agency operating plans

A programme of evaluation, particularly in areas where evidence is less strong, is essential to measure impact as the plan is delivered and identify learning to allow the plan to be adjusted over its lifetime. This will be developed and overseen by the new analytical unit.

The analytical unit will also identify gaps in current data that need to be addressed.



* - the Strategic Board may not wish to consider this level of detail at each meeting but should know that these are available and aligned to higher levels.