



Jackie Baillie MSP
Acting Convener
Public Audit and Post-legislative Scrutiny Committee
The Scottish Parliament
Edinburgh
EH99 1SP

20 September 2017

Dear Jackie,

I wrote to you in February this year regarding the Auditor General for Scotland's report entitled "Supporting Scotland's economic growth: The role of the economic development agencies". Following this, as part of the Committee's consideration of the AGS report, the Committee requested a written update from the Scottish Government on how the Enterprise and Skills Review has addressed the relevant recommendations in this above report. I write now in response to that request.

Audit Scotland recommended that *the Scottish Government, Scottish Enterprise and Highlands and Islands Enterprise should:*

- *in the context of the changing economic development landscape and as part of the Scottish Government's review of the economic development and skills agencies, consider how the enterprise bodies, taking into account their respective strengths and expertise, can best support the delivery of the economic strategy;*
- *agree common performance measures, where appropriate, that are clearly aligned to the National Performance Framework. This will allow the Scottish Government to:*
 - *compare the enterprise bodies' performance;*
 - *measure their individual and joint contribution to National Performance Framework targets; and*
 - *regularly review whether their support, for example, to individual businesses or involvement in task forces, continues to add value. This should include reviewing the opportunity cost of continuing support in each case.*

The question of how the enterprise bodies can best support the delivery of the Economic Strategy was central to the Enterprise and Skills Review.

The report covering Phase 2 of the Review, published in June 2016, confirmed that a new Strategic Board would be created to align and co-ordinate the activities not only of Scottish Enterprise and Highlands and Islands Enterprise, but also of Skills Development Scotland, the Scottish Funding Council, and the new South of Scotland Enterprise Agency. As such, this measure goes beyond the original Audit Scotland recommendation.



The Strategic Board will be formed in autumn 2017 with a remit to drive greater collaboration, innovation and strategic purpose, enhancing the system so it delivers more than the sum of its parts. Agency boards will remain in place with no changes to their legislative status.

The aims of the Strategic Board are as follows:

- **Improve the overall performance** of the economy by ensuring that the whole enterprise and skills system contributes to the delivery of Scotland's Economic Strategy and supporting strategies, in all parts of Scotland.
- Through **collective responsibility** ensure hard alignment between Agencies to drive improvement in Scottish productivity and better support business and users of the skills system.
- Hold Agencies to account for **performance against agreed measures**, both collectively and individually
- To **actively engage** with other agencies and bodies who support the economy with a view to increasing alignment and challenging others where collaboration is not happening.
- To deliver **wider collective leadership**, based on common culture and values, and which inspires and empowers delivery.

One of the first priorities of the Strategic Board will be the development of the Strategic Plan, which will lay down the agreed areas of collective focus for the agencies and their roadmap for boosting inclusive growth and productivity.

In addition, the Board will be supported by a new Analytical Unit, which will provide robust evidence across the entire enterprise and skills system to inform the Board's priorities and decisions, including the development of the Strategic Plan. The Unit will develop a comprehensive set of performance measures and shared outcomes that will be clearly aligned to the Strategic Plan and to the National Performance Framework.

The agencies will be assessed against a performance framework developed by the Strategic Board and aligned with the National Performance Framework. Agencies will be individually and collectively held to account against the Strategic Board's performance framework. In addition, performance against measures which are set around agreed outcomes developed as part of the performance framework and Strategic plan will allow an assessment of the value of the agencies' activities.

Audit Scotland recommended that *the Scottish Government should work with relevant partners to:*

- *identify the full range of public sector support for businesses to identify duplication and potential gaps and to ensure that public sector support complements private sector support;*
- *clarify roles and responsibilities and consider how to raise businesses' and communities' awareness of the full range of available support; and*
- *review the remits and memberships of the various economic partnerships and groups that exist to help improve participation of the business sector in these groups, where appropriate.*

The report on Phase 1 of the Enterprise and Skills Review recognised that whilst our strategic framework is broadly correct, there were areas where operational support can be improved.

Phase 2 of the Review involved considering the full range of public sector support with a view to ensuring broader and more coherent core support to more businesses, and better targeted specialist support with clearer entry and exit points.

The recommendations of the Phase 1 Report were taken forward through the creation of nine projects, one of which is Enterprise and Business Support, which is focussed on improving the planning and delivery of support through deeper collaboration between agencies, simplifying the access route for business, and making more effective use of digital information and delivery methods.

Actions emerging from this project during Phase 2 include:

- Delivering a joint improvement programme across partners to design and create a more coherent and joined-up digitally-enabled system of business support that is consistently focussed on user needs, is appropriate and accessible for all business types, and provides the right support at the right time to businesses on their journey.
- Undertaking research on the behaviour and motivation of businesses in terms of ambition, innovation and productivity.
- Working with Entrepreneurial Scotland to establish a 'backbone' of support to maximise the collective impact of Scotland's growing entrepreneurial movement.
- Driving forward the Scotland CAN DO Scale movement through Entrepreneurial Scotland and partners across the system.
- Working with Women's Enterprise Scotland to tackle the gender gap across start-ups and growth companies.

A further project is focusing on Regional Partnerships, led by local authorities, which draw together private, public and third sector interests to stimulate local economies and build inclusive growth through a clear understanding of the future of the regional economy, the key challenges, constraints and opportunities.

The project is committed to working with our partners in local government and more broadly to develop plans for every community to be represented by a regional partnership focused on their area. This will build on the experience of existing successful regional partnership structures which demonstrate strong leadership; common strategy; understanding of assets; inclusion of public, private and third sectors; and clear purpose.

All of this, together with the direction of the new Strategic Board, will ensure that public sector support is clearly signposted, aligned under a common strategic purpose and delivers the maximum possible effect for business and communities.

Yours sincerely

KEITH BROWN