

ENTERPRISE & SKILLS REVIEW

CALL FOR EVIDENCE

JULY 2016

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This publication is available at www.gov.scot

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St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-78652-357-0

Published by The Scottish Government, July 2016

ENTERPRISE AND SKILLS REVIEW CALL FOR EVIDENCE



In her Priorities for Government speech on 25 May 2016, the First Minister announced an ‘end-to-end’ review of enterprise and skills services. Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland, and the Scottish Funding Council play an important role in delivering the Economic Strategy, supporting economic development in Scotland and enabling every individual to achieve their potential.

To enable the agencies to play a full role in supporting the delivery of the priorities in Scotland’s Economic Strategy, and to support individuals and businesses to succeed, it is important that they collaborate behind a clear and shared vision; have a common understanding of their roles, responsibilities, and what services and investments to prioritise; and use their skills and tools to respond confidently and flexibly to changing economic circumstances.

This Call for Evidence invites you to contribute your views so we can ensure that Scottish Government and all our public agencies are delivering the joined-up support that our young people, universities, colleges and businesses need.

A handwritten signature in black ink, appearing to be 'KB', with a wavy line underneath.

Keith Brown, MSP
Economy Secretary

Context

The Purpose of the Scottish Government is to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.

Scotland has a strong economy and is wealthy and productive. Our economy grew by 1.9% over 2015, in line with forecasts. Our GDP per head (excluding oil) is the highest in the UK after London and South East. We attracted more inward investment in 2015 than anywhere else in the UK outside London, and we have a labour market which has remained resilient following the 2008 financial crisis.

Our colleges and universities educate, build confidence, develop skills, encourage innovation and help drive the economic growth we need. Their contribution promotes Scotland's international standing as a competitive nation, based on the skills of our people and the quality of our ideas.

But the economic challenges are increasing. Scotland's international rankings show the challenges we face in matching our key competitors in productivity, innovating and exporting, improving our income inequality, and addressing key skills gaps and structural unemployment. The outcome of the EU Referendum has also generated volatility in financial markets and heightened economic uncertainty. At this point the full impact is uncertain, but over coming weeks we will start to understand more about the economic implications.

Scotland's Economic Strategy sets out the approach to achieving our national Purpose and the ambition for Scotland to rank in the top quartile of OECD nations for productivity, inequality, sustainability and wellbeing. The approach is based around the two mutually supportive goals of increasing competitiveness and tackling inequality. The strategy sets out four priority areas for supporting sustainable economic growth:

- **Investing** in our people and our infrastructure in a sustainable way;
- Fostering a culture of **innovation** and research and development;
- Promoting **inclusive growth** and creating opportunity through a fair and inclusive jobs market and regional cohesion;
- Promoting Scotland on the **international** stage to boost our trade and investment, influence and networks.

These priorities are underpinned by a number of the Scottish Government's key policies. Scotland also has a clear national performance framework; a common way of assessing whether we are meeting our ambition of increased economic growth and productivity and higher social inclusion. More information on how our policies link together and the way we measure our progress is at **Annex A**. **Annex B** outlines the wide range of functions that the agencies carry out.

Terms of Reference and Approach

On 25 May the First Minister announced that the Scottish Government would carry out an end-to-end review to ensure that all of our public agencies are delivering the joined-up support that our young people, universities, colleges, training providers businesses and the workforce need. The review terms of reference were published on 15 June and these are attached at **Annex C**.

The three aims of the review might be summarised as:

- Building on the evidence of 'what works' and national and international benchmarking to achieve the step-change needed in Scotland's economic performance;
- Capturing the user journey and experience to understand what might be simplified and improved;
- Shaping which services should be prioritised and how they should best be organised and delivered.

In conducting this review, the Scottish Government will follow these principles:

- The review will be outcome-focused, and help us make a step-change in our economic performance and productivity;
- It will be evidence-based, open and transparent, with an opportunity for everyone with an interest to contribute;
- It will put service users at its heart and aim for increased clarity, ease of access and simplicity in a system of support designed to meet future challenges;
- It will be robust and independent of any individual organisation;
- It will benchmark nationally and internationally against best practice.

As ideas and options for the way ahead start to emerge, we will take into account that a good outcome needs to ensure:

- A common vision and performance framework for all to maximise economic growth and productivity and support more inclusive growth, with full geographical access.
- A modern system of support that is fit for the 21st century, simple and clear for users to access, supported by the right roles, services, skills and behaviours.
- Affordability - making the best use of all public resources, financial and other assets, to impact on outcomes, with funding matching priority services and flowing through the minimum number of levels and organisations to the user.

The review is being led by the Cabinet Secretary for Economy, Jobs and Fair Work on behalf of the Scottish Government. The Cabinet Secretary will be supported in his consideration by other Cabinet Secretaries and Ministers from relevant portfolios.

He will also be assisted by a Review Group of independent experts, who will meet at least three times during the review to provide a high level of informed debate and challenge, gather input and evidence including from their own networks, and to consider findings and agree strategic direction and next steps. Experts from the agencies themselves will assist Scottish Government as it considers the submitted evidence and other information and synthesises the outcome for the Review Group.

The Review will report in late summer 2016.

Users

An end-to-end review starts with the experiences of all those who use or work in the Scottish system of support, whether as students, businesses, service providers, partners, or those who use the services provided by our Agencies or otherwise interact with them. We want to hear all views.

Some businesses or individuals may find they do not use public services much, if private providers or membership organisations meet their needs. Others may access more local than national services. Students or others in the skills system may be more aware of their relationship with a University, College or training provider, rather than the agencies themselves.

Review questions

The Review will draw on existing published Scottish Government reviews and evidence. We are keen to understand all relevant evidence and experiences to decide how best to take forward those services funded and delivered through Scottish Government and our agencies.

Our vision is to make Scotland's economy one of the best in the world: to make a step-change in our economic growth, productivity and social inclusion; and for Scotland to rank in the top quartile of OECD countries for productivity, inequality, sustainability and wellbeing. We will achieve this through investing in our people and infrastructure; fostering a culture of innovation; boosting inclusive growth; and promoting Scotland on the international stage.

We welcome your views on any or all of the questions below.

Personal experience

1. Have you had direct interaction with enterprise or skills advice or support?
Y/N
2. Tell us briefly about your experience:
 - what were you trying to access?
 - through whom and when?
 - what was your experience?
 - what worked well and less well?
 - how did you find the quality, ease and speed of service?
 - what did you think of the cost or value of the service?
3. If you have not used such services can you outline why this is the case?

Reflections on the system of support

4. What do you see as the strengths and weaknesses of the current approach?
5. What needs to change in the current system of support to make it simple and clear, and help us deliver Scotland's vision?

6. What are the right:
 - roles;
 - services;
 - skills; and
 - behaviours
 needed from our agencies to support this transformation?
7. How might we ensure this step-change reaches and benefits all of Scotland, building on regional and local strengths?
8. How would we know if the system is working better?
9. How might public resources be deployed most effectively to match priorities, deliver value for money, and flow through the minimum number of levels and organisations to the user?
10. Is there any other published evidence, or good practice, which you would particularly highlight that you wish us to take into account during the review?

Please provide any other relevant comments you may have.

You will also need to tell us about yourself
- please see opposite.

How to Respond

Please complete these questions on-line, before **15th August 2016**.

Alternatively, please send a written response, including the completed respondent information form, to entandskillsreview@gov.scot, or to

Karl Reilly,
Head of Coordination and Events,
Economic Development Directorate,
6th Floor Atlantic Quay,
150 Broomielaw,
Glasgow,
G2 8LU.

Response to Call for Evidence on the Scottish Government Enterprise and Skills Review



RESPONDENT INFORMATION FORM

Please Note this form **must** be returned with your response.

Are you responding as an individual or an organisation?

- Individual
- Organisation

Full name or organisation's name

Phone number

Address

Postcode

Email

The Scottish Government would like your permission to publish your response. Please indicate your publishing preference:

- Publish response with name
- Publish response only (anonymous)
- Do not publish response

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this exercise?

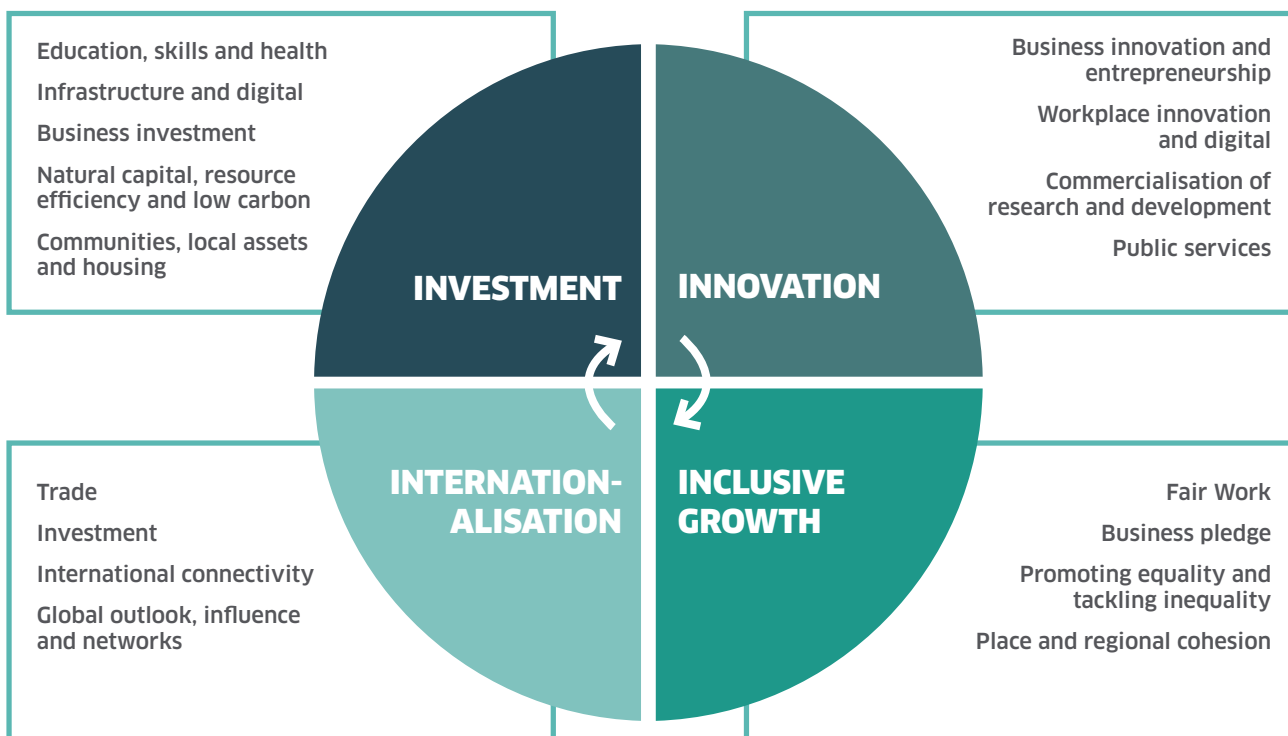
- Yes No

ANNEX A

Scotland's Economic Strategy and National Performance Framework

Scotland's Economic Strategy focuses on the two mutually supportive goals of increasing competitiveness and tackling inequality, and we have four priority areas: investing in our people and infrastructure, fostering innovation, promoting inclusive growth and promoting Scotland on the international stage. These four priorities are sometimes referred to as the “4 I’s”. The diagram below shows how our key policies fit [Scotland's Economic Strategy](#).

The Four priorities



The **Purpose** of the Scottish Government is to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. It is measured and regularly reported on through the National Performance Framework (NPF), which includes high level targets relating to the Purpose, along with a set of National Indicators.

There is a wide range of indicators which exist below the National Performance Framework and can be used to further understand economic issues in Scotland and to monitor the performance of specific agencies and specific parts of the economic system.

Overview of Performance

Productivity: Scotland's real productivity level, in terms of GDP per hour worked, is 4.4 per cent higher than in 2007. Although Scotland's productivity level is similar to the UK's, we would rank 19th out of 35 OECD¹ countries. A step-change is needed to reach our ambition to rank in the top quartile of countries.

1 <http://www.gov.scot/About/Performance/scotPerforms/purposetargets/productivity>

Inequality: Income inequality, as measured by the Palma Ratio, increased slightly between 2013/14 and 2014/15. Although Scotland is less unequal than the UK overall, we would rank 19th out of 34 OECD countries where estimates of income inequality are available.²

Investment: In 2014 Scotland had the highest percentage of the population with tertiary educational attainment of all European countries.³ However, there are persistent differences in educational attainment, and in school leavers going on to positive destinations, between those in the most and least deprived areas of Scotland.⁴

Innovation: Spending on research and development in Scotland has increased between 2006 and 2014, from 1.32% of GDP in 2006 to 1.56% of GDP in 2014.⁵ However, Scotland's business R&D expenditure as a share of GDP is low by international standards.⁶ Scotland's small business innovation rate is slightly higher than the European-wide rate. However, Scotland lags in terms of the innovation rates of medium-sized and large-sized businesses.⁷

Inclusive Growth: Scotland's labour market has been resilient in recent years. While there are persistent differences in employment rates across Scotland, the gap is narrowing.⁸ Around 20% of employees in Scotland earn less than the Living Wage.⁹

Internationalisation: The value of Scotland's international exports has increased by 36% in nominal terms since 2007, although the value of exports fell between 2013 and 2014.¹⁰ However, the share of Scottish SMEs exporting has declined in recent years, from 20% in 2006-07 to 12% in 2014.¹¹

2 <http://www.gov.scot/About/Performance/scotPerforms/purposetargets/solidarity>

3 Labour Force Survey & OECD data

4 <http://www.gov.scot/Topics/Statistics/Browse/School-Education/leavedestla/follleavedestat/attainmentandleavers1415>

5 <http://www.gov.scot/About/Performance/scotPerforms/indicator/research>

6 <http://www.gov.scot/Resource/0049/00491296.pdf>

7 <http://ec.europa.eu/eurostat/web/microdata/community-innovation-survey> & <https://www.gov.uk/government/statistics/uk-innovation-survey-2015-headline-findings>

8 <http://www.gov.scot/About/Performance/scotPerforms/purposetargets/cohesion>

9 <http://www.gov.scot/About/Performance/scotPerforms/indicator/livingwage>

10 <http://www.gov.scot/About/Performance/scotPerforms/indicator/exports>

11 <http://www.gov.scot/Resource/0049/00494097.pdf>

ANNEX B

Agency Roles and Responsibilities

Our enterprise and skills agencies perform a wide range of functions which are vital to supporting the Scottish economy.

[Scottish Enterprise \(SE\)](#)

SE is the main economic development agency for lowland Scotland, playing an important role in assisting businesses in Scotland and delivering Scotland's Economic Strategy. Its functions include:

- furthering the development of Scotland's economy and in that connection providing, maintaining and safeguarding employment;
- promoting Scotland's industrial efficiency and international competitiveness;
- furthering improvement of the environment of Scotland.

SE's future priorities can be found in the [2016-17 update to its business plan](#).

[Highlands and Islands Enterprise \(HIE\)](#)

HIE is the main economic development agency for Highlands and Islands in Scotland, playing an important role in assisting businesses and communities in Scotland and in delivering Scotland's Economic Strategy. Its functions include:

- preparing, concerting, promoting, assisting and undertaking measures for the economic and social development of the Highlands and Islands;
- maintaining and enhancing skills and capacities relevant to employment in the Highlands;
- furthering improvement of the environment of the Highlands and Islands.

HIE's future priorities can be found in its [2016-19 operating plan](#).

[Skills Development Scotland \(SDS\)](#)

SDS is the national skills body supporting the people and businesses of Scotland to develop and apply their skills. Its key functions include:

- Contracting for training programmes including Modern Apprenticeships and support for those seeking employment;
- Provision of labour market intelligence and research to align skills investment with labour market needs through Skills Investment Plans and Regional Skills Assessments;
- Delivery of Scotland's all age Career Information Advice and Guidance service through a range of face to face and digital channels.

These are detailed further in its [operating plan for 2016-2017](#).

[Scottish Funding Council \(SFC\)](#)

The SFC exists to fund the provision of coherent further and higher education and research in colleges and universities, as well as supporting other relevant activity. It:

- allocates public funding to colleges and HEIs for teaching and research, buildings and equipment, and for specific initiatives and strategic developments;
- assesses and enhances the quality of learning programmes;
- develops strategies for improving knowledge and skills, strengthening the Scottish research base and encouraging knowledge exchange with – and innovation in – the public and private sectors.

Its future priorities are set out in its [2015-2018 Strategic Plan](#).

ANNEX C

Review Terms of Reference

Scotland's Economic Strategy sets an ambition to be in the top quartile of OECD countries for productivity and wellbeing. Achieving this objective will require a transformational step change in our performance across a range of outcomes. The economy is central to achieving this ambition and this review will bring forward recommendations for how we maximize our key economic interventions to achieve these goals.

The review and recommendations will focus on achieving three main aims:

1. **Achieving the Government's ambition as set out in Scotland's Economic Strategy and National Performance Framework** so that our outcomes in respect of innovation, investment (including human capital) and internationalisation lead to a step change in our economic performance and a more productive and inclusive economy.
2. **Ensuring our economic and skills interventions are shaped by users' needs** and the opportunities users can create as a result of these interventions. The review will address the requirements of an open, modern and advanced economy, including the diverse range of opportunities and challenges in Scotland, and how local and regional approaches that build on national and local assets and relationships can best exploit and tackle them.
3. **Ensuring that delivery continuously reflects best practice** in terms of achieving effective outcomes, driving improvement and optimising public value in the delivery, efficacy and effectiveness of our interventions, and ensuring that it is flexible and fits with the evolving fiscal and regulatory landscape of enhanced devolution.

Which public agencies are involved in this review?

The agencies involved are:

- Scottish Enterprise (including Scottish Development International)
- Highland and Islands Enterprise
- Skills Development Scotland
- Scottish Funding Council

The review will take into account the economic development role of local authorities, VisitScotland and Creative Scotland and the need for complementarity. It will foster an environment in which further and higher education institutions support efforts in relation to raising educational attainment, contribute powerfully to Scotland's Economic Strategy, and support the Government's aspirations in relation to widening access.

Governance and Timing

The review will be led by Cabinet Secretary for Economy, Jobs and Fair Work on behalf of the Scottish Government, be supported by relevant Ministers and key officials, and involve the key agencies, stakeholders and users. The review will report recommendations in late summer 2016.



**The Scottish
Government**
Riaghaltas na h-Alba

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ISBN: 978-1-78652-357-0

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS75531 (07/16)

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