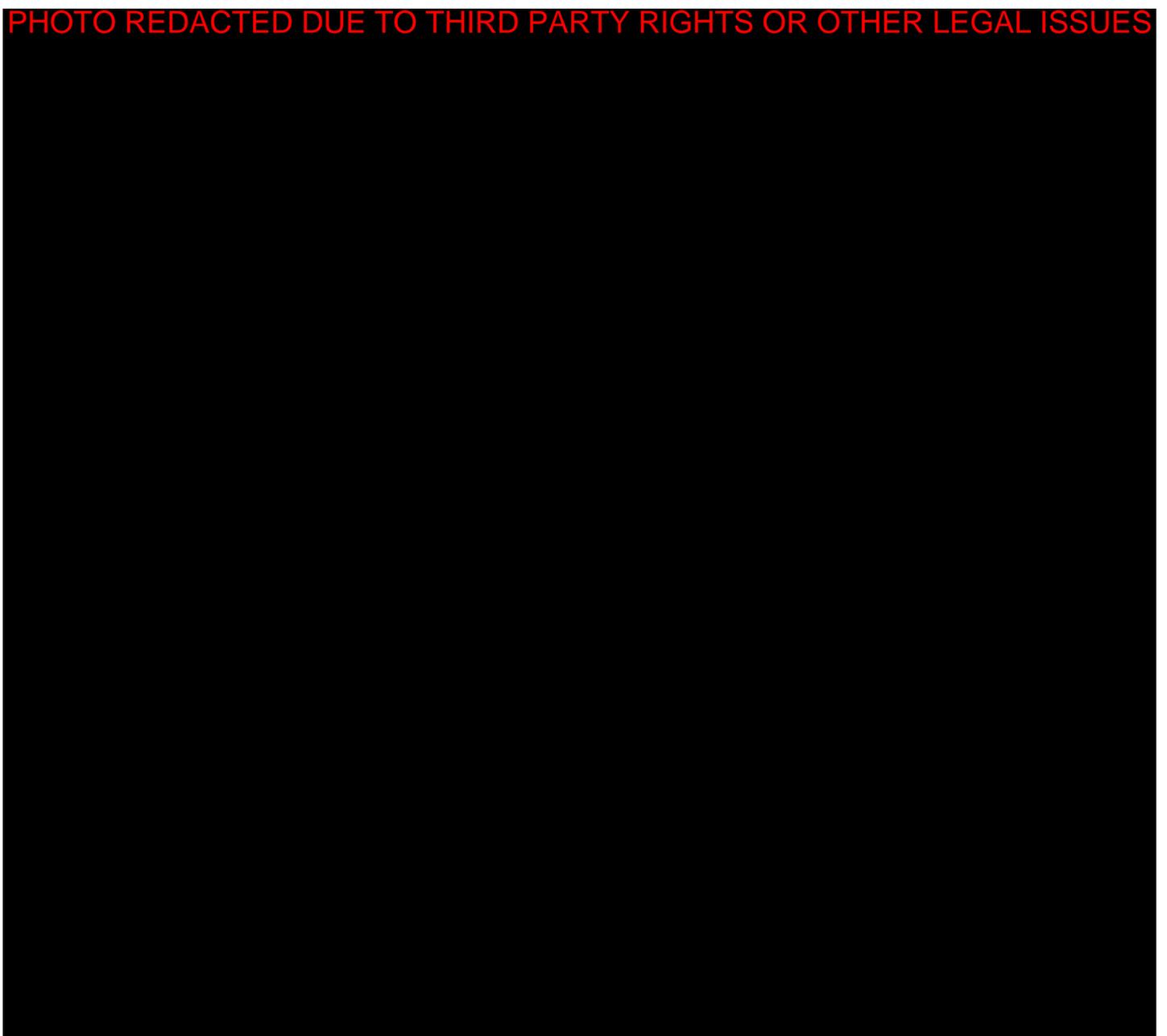




ENTERPRISE AND SKILLS REVIEW: REPORT ON PHASE 2

JUNE 2017

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Foreword by Keith Brown

There are a great many reasons for Scotland to be proud of its business achievements.

We enjoy a long-standing reputation for innovation and we are global leaders in many key industries of the future such as life sciences, financial services and digital technology.

We have one of the most highly educated workforces in Europe, our natural, cultural and built heritage has helped create a thriving tourism industry, and Scotland's vast natural resources have put us at the

forefront of the world's energy industry, from hydrocarbons to renewables.

We benefit from world class universities, with five in the global top 200, supporting the development of the high-level skills, research and innovation that our businesses need to drive growth. Our colleges make a significant contribution to improving skills and access to further and higher education for young people from communities across Scotland; at the same time as up-skilling and re-skilling those already in work.

And in many respects our underlying economic performance has been improving: Scotland recently progressed to the 2nd OECD quartile for productivity; the last decade has seen growth in levels of research and development; we have seen rises in exports and inward investment; and unemployment is at record lows.

Scotland's Economic Strategy sets out how we capitalise on these strengths through a focus on investment, innovation, internationalisation and inclusive growth, while also recognising that we must face up to major challenges in pursuit of our economic ambitions.

Ensuring that growth is inclusive and socially cohesive is vital, not just because of the moral case to do so but because we know more equal economies are more successful. We have seen the impacts of external factors such as the volatility of the oil price underlining the need for a diverse, resilient and flexible economy. We must also look to minimise the potentially damaging impacts of an ill-planned hard Brexit which could harm our ability to trade internationally and build our skills and research base.

These global factors and the implications of Brexit have clearly acted as a headwind for the Scottish economy. The latest GDP figures show that our economy is not growing at the rate we aspire to and while recent rises in productivity are welcome we must improve further.

Against this backdrop, directing our resources to create the maximum positive effect is of fundamental importance. Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland, and the Scottish Funding Council have many successes to their names but we must achieve more. Each of these agencies knows that to achieve our aspirations we must focus our efforts on what will be of the most benefit to Scotland's economy and people.

They will play a key role in helping us reach our stated ambition for Scotland to rank amongst the top quartile of OECD countries for productivity, equality, sustainability and wellbeing, but we recognise that their individual contributions alone will not deliver the economic step change necessary for this to happen.

This is why we embarked upon the Enterprise and Skills Review – to build on the strengths and successes of the four agencies in order to enhance the system of support for enterprise, skills, investment and innovation so that it becomes greater than the sum of its parts.

In pursuing this aim, the level of engagement we have received from a wide range of stakeholders has demonstrated how greatly our enterprise and skills agencies are valued.

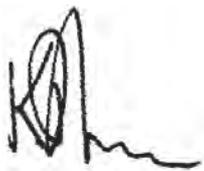
With Phase 1 of the Review having set the challenge, Phase 2 has been about starting to place the focus on delivery, and we have continued to listen to the broad range of voices engaged in this process to ensure that a razor-sharp focus is maintained on the needs of the user, from start-ups to large corporations, and from public, private and third-sector employers to learners of many different types.

In this respect I am greatly indebted to the members of the Ministerial Review Group for bringing their expertise and experience to bear on the Review, and in particular to Professor Lorne Crerar for his work on the potential scope and functions of our new Strategic Board.

This report draws Phase 2 of the Enterprise and Skills Review to a close but it is at this point that the hard work begins. There will be difficult choices as to the priority areas for action and we must make these with a clear view on improving performance. The Strategic Board will coordinate these decisions but it will be for each of the agencies to deliver on our vision.

The report illustrates the ambition and the challenge of what we hope to achieve, and work will continue as we look to deliver the step-change in economic performance that will create a more prosperous and more inclusive Scotland.

We live in a constantly changing world – technologically, economically and politically – in which Scotland has often been at the forefront. If we stand still for a moment we will be left behind so it is time to aim high and drive Scotland's economy forward for the benefit of us all.



Keith Brown, MSP

Cabinet Secretary for Economy,
Jobs and Fair Work

June 2017

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1. Introduction

In May 2016, the First Minister announced an end-to-end review to ensure that all public agencies are delivering the joined-up support that our young people, universities, colleges, training providers, businesses and the workforce need.

The Review has been led by the Cabinet Secretary for Economy, Jobs and Fair Work, and was supported by a Ministerial Review Group, including members of the Council of Economic Advisers. The Review's aims as stated in its original remit are:

- To make a step-change in enterprise and skills support to help progress towards our ambition of Scotland ranking among the top quartile of OECD countries in terms of productivity, equality, wellbeing and sustainability.
- To be driven by evidence, to listen to the views of users, and put forward proposals that respond to their needs.
- To ensure a simpler and more coherent enterprise and skills support system.

A call for evidence attracted 329 submissions from a range of organisations and individuals, culminating in the report on Phase 1 of the Review which was published on 25 October.

The report contained 10 recommendations which focused on ensuring coherence and a simpler, more flexible and cost-effective system of national and local support.

Whilst focusing on Scottish Enterprise (SE), Highlands and Islands Enterprise (HIE), Skills Development Scotland (SDS), and the Scottish Funding Council (SFC), the Review recognises that the work of many other agencies is crucial to Scotland's economic performance, from health and education to transport and infrastructure. This is also recognised in Scotland's Economic Strategy.

Phase 2 commenced in November 2016, with nine projects being established in order to take forward the Phase 1 recommendations. On-going engagement with key stakeholders – particularly from the business community – has been a central element to the process across all projects, and will remain so as the programme continues through its implementation phase.

Further detail on this process is illustrated throughout this high-level report. It explains the vision, purpose and benefits of the programme and individual projects, the outcomes and progress achieved during Phase 2. In doing so, we acknowledge that different workstreams are at different stages of development with some already delivering on short-term outputs and others pursuing longer-term programmes of transformational delivery.

The report is supported by a suite of detailed workstream reports and the formal Scottish Government response to Professor Lorne Crerar's report 'Proposals on Governance and the Creation of a Strategic Board.'

2. What Phase 2 delivers

As stated, our desire is for Scotland to rank in the first quartile of OECD countries for productivity, equality and wellbeing, and sustainability.

Within our current powers, the enterprise and skills support system is key to this economic ambition. The respective agencies exist to create the conditions for businesses to increase productivity and growth, and to help deliver the skills that Scotland's people and economy need.

This review will help to enhance the system of enterprise and skills support so that it is greater than the sum of its parts, making a substantial and valuable contribution to productivity and broader economic performance.

In particular, it will be a system which:

- Has a singular point of focus – the Strategic Board will ensure that each of the Agencies know the shared goals and aspirations of the whole system. Everything which those agencies do must contribute towards those goals. It will be the immediate role of the Implementation Board to frame those goals and aspirations. We know, however, that they must include:
 - Embedding a culture of innovation and aspiration into our economy.
 - Focussing on the sectors where Scotland has the potential to lead the world.
 - Building a skills infrastructure with an eye to the opportunities of the future. We must not fear innovation and change, we must support Scotland's people to lead that change and benefit from it.
- Is informed, and held to account, by evidence and data. We know there is room for improvement in how we measure the performance of the Scottish economy and our enterprise and skills activities. It is vital to know how the agencies are contributing towards growth, employment and productivity. We will create a new analytical unit to better coordinate the analytical resources of each of the agencies and the Scottish Government to help inform the decision making and performance of the Strategic Board.
- Is focussed on the customer. We will simplify the ways in which our learners access education and skills provision and in which our businesses and entrepreneurs can access services from the agencies. We will have a single access point that is trusted by all business, with agency and local authority business advice services lined up behind it.
- Has a new agency representing the South of Scotland. We will introduce legislation in 2018 to bring into effect the new agency so that it is fully operational from the beginning of financial year 2020. Focused on the needs of Dumfries and Galloway and the Scottish Borders, the new agency will: support a diverse and resilient economy; sustain and grow communities and capitalise on people and resources. We want to ensure that people in the South benefit as soon as possible from a new approach and will work with stakeholders in the area to put in place interim arrangements in advance of the new agency. This will build on the support and resources in the area.

- Is focussed on the diverse communities of Scotland. HIE and the new South of Scotland Enterprise Agency will have a particular focus on their areas of responsibility. Elsewhere, we will ensure that every community is represented by a Regional Partnership focused on the needs of the economy of their area. Our agencies will respond more flexibly to local and regional needs. Moving forward we expect future city or growth deals to be focused on the needs of the area, informed by inclusive growth with the private sector an integral part.
- Is innovative and promotes innovation. Building on our world-class research and the existing routes to innovation and commercialisation in universities and colleges and supported by our enterprise agencies, we will take action to spread innovation more widely across the business base.
- Is international in its outlook. We will implement a joined-up system that promotes a global mind-set, raises international ambition, and works with and for the private, academic and public sectors to maximise the impact of individual action and of Scotland's collective endeavour.
- Focusses on the skills which are needed for our economy, providing the right skills to our young people and opportunities for up-skilling and reskilling for those who are working in industries which are rapidly being transformed by digital innovation.

Raising Scotland's Productivity Levels

Delivering these systemic improvements will drive a step-change in Scotland's productivity. Productivity matters because it drives the overall standard of living in our economy, the competitiveness of our businesses, and the resources that are available to provide the goods and services that our society needs.

Increasing productivity also underpins our ability to create a more inclusive, sustainable economy with higher standards of living and working conditions for everyone across Scotland. That is why we have continued to focus hard on productivity growth within this Enterprise and Skills Review.

The respective agencies exist to help businesses maximise productivity, to create good jobs, and to help deliver the skills, research and innovation that Scotland's people and economy need. Part of this review, therefore, enables us to take a fresh look at how we maximise the impact of our agencies on productivity growth, both now and in the future.

To further achieve this aspiration, and consistent with the aims within Scotland's Economic Strategy, we want to maximise our collective impact on the following drivers of productivity:

- **Investment:** including digital infrastructure, new plant, machinery and equipment, foreign direct investment.
- **Skills:** including investment in our young people through our education and skills system, and the up-skilling and reskilling the existing workforce.
- **Innovation:** including investment in R&D by the private and higher education sectors, knowledge exchange between industry and universities and colleges, the development of 'clusters', and fostering innovative behaviours among businesses across different sectors and within businesses, in the form of workplace innovation.

- **Internationalisation:** including the degree of exposure to international competition and larger international markets through exports and trade.
- **Enterprise:** including entrepreneurship, start-ups, businesses' ambition for growth, and the dynamism of the business base.

Improving productivity is *not* about 'more work for the same pay'. It is about strengthening the economic conditions to provide for better paid work and new opportunities. To be sustainable, this requires resilience within the workforce and the ability to transition and adapt as global forces drive economic change. This is why we place a separate but complementary emphasis on skills.

That is also why, in an inclusive and sustainable economy, it is critical that our approach to improving performance across traditional drivers of productivity must be shaped and reinforced by the following factors:

- **Fair work:** including fair wage levels, job security, ownership and management and leadership capabilities.
- **Health and wellbeing:** the health and wellbeing of our workforce underpins our ability to improve labour productivity.
- **Natural resources and sustainability:** the quality and diversity of natural resources available in Scotland and economic effect of transitioning to a more resource efficient, lower carbon economy.
- **Regional-specific factors** such as composition and size of sector mix, business base and supply chains, infrastructure, skills and workforce all contribute driving productivity differences. A more balanced regional economy will enable us to increase our national economic potential.

Governance

Our enterprise and skills agencies are critical to achieving a more successful country, delivering opportunities across Scotland which support inclusive and sustainable economic growth. Many of the responses to Phase 1 of the Review, including from Audit Scotland, highlighted the need for greater alignment in order to deliver greater economic impact.

So this review, far from diminishing the role of these agencies, seeks to enhance the impact of the collective investment we make in economic and skills development in Scotland and create some of the best conditions in the world for inclusive growth. To do this we must help and support our agencies to transform the services, skills and the support they offer business and individuals across Scotland to be successful.

We will create a governance architecture to enable our agencies, including a new South of Scotland Enterprise Agency, to come together to deliver greater collaboration, innovation and strategic purpose, enhancing the system so that it is able to deliver more than the sum of its parts.

Throughout the review process we have listened to wide-ranging views on how to deliver this enabling architecture. The Strategic Board will support the strategic co-ordination of agency activities around shared priorities and drive improved performance through evidence on the economic impacts of the agencies' work.

While support for the Strategic Board has been considerable, there were concerns about how it would impact on the operation and governance of the agencies, particularly HIE and the SFC. We have been careful therefore to balance the different interests of the regions of Scotland and retain the statutory functions and responsibilities of each agency.

As confirmed to Parliament on 30 March 2017, we will not legislate to change the current responsibilities of the agencies. Agency Boards will remain in place and their core functions will remain unchanged but with an absolute expectation that the agencies will work to align their delivery with the priorities set out by the Strategic Board.

It is clear, however, that strengthened governance will only achieve so much – we must, collectively, focus on what we need to change, how we will change it and how we will measure our success.

Strategic Board aims, function and membership

As set out in Phase 1 of the review, we will deliver in autumn this year a new Strategic Board that will provide the high-level governance for enhancing economic performance. In establishing the Strategic Board we will build on the work of Professor Lorne Crerar in his report *'Proposals on Governance and the creation of a Strategic Board'* to enhance the collective delivery of the agencies. We have published our response to Professor Crerar's proposals alongside this Phase 2 report, providing additional detail on the future governance arrangements.

We have expanded the four Strategic Board aims which Professor Crerar identified to include a fifth aim which recognises the need for a step-change in the collaborative culture not just across our agencies but also with partners in the broader enterprise and skills system. The Strategic Board aims will be to:

- **Improve the overall performance** of the economy by ensuring that the whole Enterprise and Skills System delivers 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**.
- 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.

The immediate priority for the Strategic Board will be the development of a Strategic Plan and a measurement and performance framework which will underpin that plan.

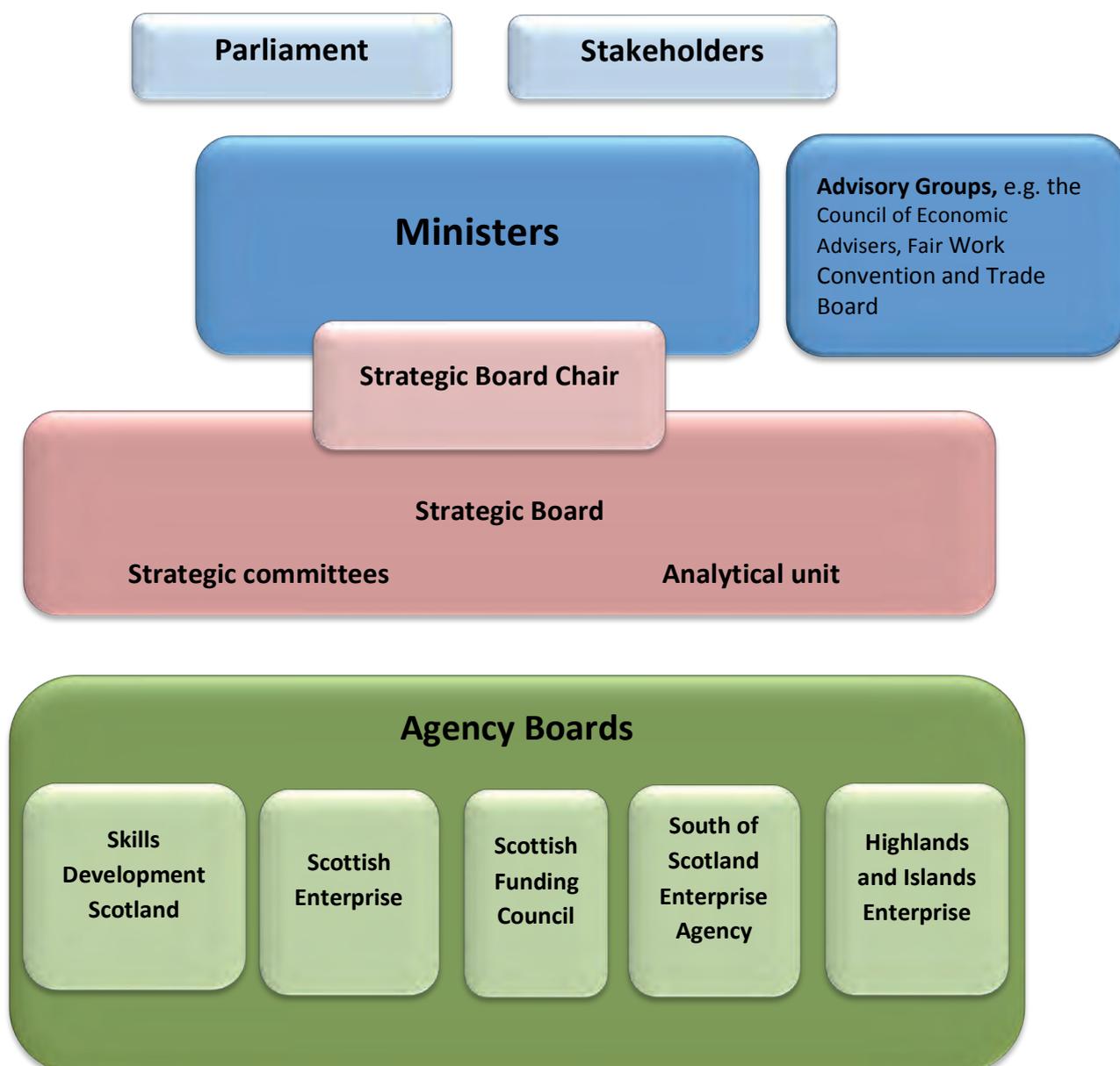
The work of the Strategic Board will be supported by a new analytical unit which will provide robust evidence across the entire enterprise and skills system to inform the Strategic Board's priorities and decisions. The unit will also develop the comprehensive set of performance measures and shared outcomes that will help to focus the agencies on the areas with the most positive impact.

In support of the aims of the Strategic Board, Strategic Committees will be established to drive forward key priorities, bringing together the agencies with wider interests to promote collaborative delivery. To maximise efficiency, where appropriate we will look to utilise existing or re-purposed fora to act as Strategic Committees in preference to developing new groupings. For example, we will seek to utilise the existing Joint Skills Committee as a new, repurposed Strategic Skills Committee.

It is vital that the Strategic Board not only has a clear understanding of national economic performance but also a clear regional focus, working directly with stakeholders and regional partnerships to help shape and contribute to delivering regional strategies that support the delivery of their national priorities and improve local economic outcomes.

Figure 1 sets out the current working assumption for the structure for the Strategic Board and the broader governance arrangements.

Figure 1 – Structure of Strategic Board and Broader Governance



How will the Strategic Board Work?

The Strategic Board will have an independent chair appointed by Scottish Ministers and a membership drawn from the Chairs of each of the agencies as well as non-executive members drawn from business, local government, skills and research and trade union communities. In addition to their current statutory responsibilities, Scottish Ministers will assign each agency chair with a new, explicit responsibility to support the shared aims of the Strategic Board.

To deliver meaningful change, the Chairs of the agencies, as part of the Strategic Board, will be instrumental in the development of the Strategic Plan, and the common performance and measurement framework that will support it.

The Strategic Plan – which will be agreed with Scottish Ministers – will lay down the agreed areas of collective focus for the agencies and their roadmap for boosting growth and productivity.

The Strategic Board will not have responsibility for the allocation of budgets; this function will remain with Ministers, although they may choose to seek the advice of the Strategic Board when making funding decisions. Each Agency Board will retain existing autonomy and accountability for funding decisions.

We expect that the Strategic Board will meet every two months and across the country to ensure a clear understanding of regional needs, economics, activity and services.

Implementation Board

To maintain pace and momentum, an Implementation Board, to be chaired by Professor Lorne Crerar will lay the groundwork for the Strategic Board immediately following the conclusion of Phase 2. It will meet monthly until the Strategic Board is established in the autumn. All the Agencies will be represented on the Board alongside selected members of the Ministerial Review Group, and others to reflect business and the wider Scottish economy.

Specifically, this Implementation Board will look to:

- Develop an outline for the Strategic Plan and performance framework to be considered once the Strategic Board is established.
- Establish the cross-cutting priorities that will need to be an early focus for the Strategic Board and, where helpful, establish the Strategic Committees to rapidly deliver these priorities.
- Oversee progress on the delivery of the wider E&S Review workstream actions and recommendations that will fall within the scope of the Strategic Board.
- Set out the structure, accountability and reporting arrangements for the governance supporting the Strategic Board, including guidance on how the agencies will work together, and on their roles and responsibilities.

3. Project Outcomes and Progress

The following sections of this document summarise the aims and outcomes of the Enterprise and Skills Review workstreams.



Data, Performance and Evaluation

Vision

To have a more effective and transparent system of measurement for the Scottish economy and the operation of the enterprise and skills agencies. The analysis will be of the highest quality and publicly available.

Objectives

- To support the Strategic Board in decision making and assessment of the performance of each agency.
- To improve the quality of the data and evidence available for the agencies and local and central government as well as the Strategic Board. This should include use and sharing of administrative data.
- To consider the evidence on current skills gaps and the extent to which our investments in learning and skills are working to close those.

Outcomes

- Commitment to establish a new analytical unit to provide support to the Strategic Board, agencies and wider stakeholders.
- We will appoint a head to lead the unit. They will provide a single point of contact for the Strategic Board and provide leadership and direction for the unit.
- A set of agreed principles for the analytical unit and its interaction with the Strategic Board including a commitment to openness and transparency in consulting widely on the work plan of the unit and publishing the results of its activities to ensure there is a shared evidence base for wider stakeholders.
- Appointments to the unit will be made by the Scottish Government in the first instance and will be jointly funded by the Scottish Government and agencies.
- The unit head will work with the appropriate senior analytical leads of the agencies to help coordinate analysis across the enterprise and skills system.
- The unit should improve the use and sharing of administrative data across the enterprise and skills system as a particular focus of its work.

Benefits

- The analytical unit will support the new strategic board in identifying the best way to drive the enterprise and skills system to achieve its aims.
- This will be achieved through better collaboration on intelligence across the enterprise and skills agencies, helping to identify the most effective interventions to support productivity improvements – including improving the evidence base on return on investment.
- The analytical unit will help to develop a more effective set of performance measures and a set of shared outcomes which will focus the enterprise and skills agencies on the areas which will have the biggest impact for productivity, wellbeing and equality.
- The analytical function will aim to provide evidence to the wider enterprise and skills system, beyond the agencies, helping to focus the actions of other public bodies and private institutions on delivering productivity growth.



Regional Partnerships

Vision

We want a Scotland with successful regional partnerships that stimulate local economies and build inclusive growth. Regional Partnerships, led by local authorities, draw together private, public and third sector interests and build on the experience, governance and learning from City Deals.

Regional Partnerships are self-assembled around the bespoke requirements of an area. They build inclusive growth through a clear understanding of the future of the regional economy, the key challenges, constraints and opportunities.

Objectives

- Ensure all of Scotland thrives and opportunities to improve the regional economy to secure inclusive growth are identified and delivered.
- Strengthen national agency and private sector engagement with regional partnerships.
- Ensure that increasing inclusive growth is at the heart of regional partnerships.

Outcomes

- We will work 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, driven by local partners. 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.
- Our agencies will build on their experience of fostering regional working and will support regional partnerships by: ensuring regional equity is taken into account in project appraisals and business planning; tailoring products to regional conditions; developing a regional asset register to inform priorities; engaging effectively to deliver agreed priorities; and facilitating private sector engagement through regional economic forums.
- Future city deals and other types of regional growth deal proposals are expected to prioritise and evidence their impact on driving inclusive growth in order to ensure that all regions and communities can prosper and fully contribute to Scotland's overall economic growth.
- We will expect private sector representation on regional partnerships where government investment is sought. Ensuring that active and engaged private sector partners help lead, shape and deliver the priorities of any existing or future Partnership is and will continue to be key to their success.

- Learning from the on-going Ayrshire pathfinder demonstrates that the move to build stronger regional economies has evolved beyond city deals. Working closely together and with full input from the agencies the three Ayrshire local authorities are engaging the Scottish Government as they develop proposals for an Ayrshire Growth deal. The pathfinder is considering what is best delivered at local, regional and national levels to unlock the area's full economic potential.
- Sharing success is key and we will build inclusive networks enabling representatives from each regional partnership to come together regularly from autumn 2017 to discuss challenges, share experiences and learn from each other. Representatives from regional partnerships will be invited to the National Economic Forum.

Benefits

Regional partnerships can stimulate local economies and support national growth by:

- Identifying synergies and common priorities across the region for co-ordinated and focused action designed to deliver growth.
- Strengthening connections between schools, colleges, businesses and the enterprise and skills development system.
- Increasing the potential to maximise economic benefit from all regional assets and developing clusters of strength.
- De-cluttering the landscape for service users, improving integration and awareness of the full suite of support available, including private and third sector provision.
- Helping align activity such as strategic planning of development and infrastructure planning.
- Embracing private sector leadership, expertise and networks to amplify growth opportunities and co-design the support necessary to unlock the full potential of an area, its businesses and people.



South of Scotland Enterprise Agency

Vision

Our vision is for a new South of Scotland enterprise agency that will drive inclusive growth, increase competitiveness and tackle inequality within the region and compared to Scotland as a whole.

Objectives

- The South of Scotland enterprise agency will maximise the area's contribution to Scotland's inclusive growth, supporting a diverse and resilient economy.
- The enterprise agency will sustain and grow communities – building and strengthening communities with joined up economic and community support.
- The enterprise agency will capitalise on people and resources – developing skills, promoting assets and resources and maximising the impact of investment in the area.

Outcomes

The project explored the most appropriate geographic boundary in which the new organisation should operate, with the consensus emerging that its operational boundaries should be the local authority areas of the Scottish Borders and Dumfries and Galloway.

This reflects the economic context and the similarity of challenges faced in those two areas ensuring clarity for those using services and a focus on tackling the specific challenges of the area. The area is predominantly rural, with a range of associated challenges including:

- An ageing population with an out-migration of young people and difficulty in ensuring attractive opportunities for them to return to.
- Challenging physical and digital connectivity.
- A number of fragile towns across the area.
- Sectors with traditionally low wages and with fewer higher skilled jobs.
- A business base dominated by micro and small businesses with a lower number of businesses being started, with less investment in innovation and research and development.

The project focused on the functions of the organisation, but also explored what legal form would deliver those functions most effectively. We believe that the option that best meets the needs of the South of Scotland is that the new organisation should be set up as a new public body. We will introduce legislation in 2018 to bring into effect the new agency so that it is fully operational from the beginning of the 2020 financial year.

In the meantime, we want to ensure that people in the South benefit as soon as possible from a new and more tailored approach to supporting inclusive growth. Therefore, in advance of the statutory body, we will work with South of Scotland stakeholders and through the emerging Strategic Board to put in place an interim approach (including a lead individual) ready to implement in the autumn so the area starts to benefit from a new and more tailored approach.

We also recognise that workstreams looking at governance, data, business support, innovation, internationalisation, skills alignment and the learner journey will also benefit the South of Scotland and need to respond to the area's needs. The new agency, once established, will be part of the national governance arrangements and represented on the new strategic board to ensure that the area's interests are recognised and addressed.

Benefits

The new agency will bring a fresh approach, with a clear and unambiguous focus on Dumfries and Galloway and the Scottish Borders, enabling a response informed by the economic context of the area and enabling a step-change in regional economic performance.



Enterprise and Business Support

Vision

Enterprise and business support will be focussed on the user, with simple and quick access to the right support for businesses throughout their growth journey, backed by a more joined-up approach by delivery partners. Support will be designed around, and able to adapt and grow with, businesses' changing needs. There will be a strong focus on driving business ambition and internationalisation; enhancing innovation; better organisational performance, leadership and management skills; and progressive workplace practices, including fair work.

Objectives

- To significantly improve the planning and delivery of information, advice and assistance to businesses right across Scotland, from start-ups to high growth and international firms, as well as community and social enterprises.
- To increase the scale and pace of company growth by helping companies improve their productivity, skills and competitiveness.
- To take early action on specific enterprise issues, especially support for businesses with potential to realise significant growth through 'scale' and realising the economic potential of women-led enterprises.

Outcomes

The Enterprise and Business Support project has focussed on improving the planning and delivery of business support by driving deeper collaboration between partners, simplifying the access route for business, and making more effective use of digital information and delivery methods. It will also take action in specific areas where there are untapped opportunities for growth. As a result of Phase 2 of the Review, across the public sector, and working with the Strategic Board, we will:

- Starting this summer, deliver a joint improvement programme across the agencies to create a much more coherent and joined up system of support that is quick and easy to access and understand and is focussed on business need.
- Jointly engage with the business community and individual businesses to seek feedback and drive improvement.
- Undertake specific research, reporting in early 2018, on the behaviour and motivation of businesses so that we can reach more businesses more effectively and better target future interventions.
- Provide a single digital access point for business support and develop and deliver a single, authenticated business I.D so that we can work more effectively across partners to meet the needs of businesses 'in the round' and so that businesses are no longer required to keep providing the same information to different partners.

- Provide more and better co-ordinated support for businesses to 'scale up' by driving forward the Scotland CAN DO Scale movement through Entrepreneurial Scotland and partners across the system - with the new steering group in place from summer 2017.
- Realise untapped economic potential by tackling the gender gap across start-ups and growth companies - including through this summer's refreshed Women in Enterprise Action Framework and action to deliver a sustainable model that collaboratively develops and monitors future gender-aware and gender-specific policies and interventions.

Benefits

- A streamlined and more joined-up approach that will make business support easier and quicker to access, more effective for business, and more impactful.
- Improved support across the overall business base and especially in areas such as 'scale' and women-led enterprises.



Innovation

Vision

Our vision is for Scotland to be a place where innovation is an intrinsic part of our culture, our society and our economy; where businesses across the country are ambitious and open to collaborations and partnerships with one another, with colleges and universities, and with other organisations within and beyond Scotland; where businesses are open to new ways of working and improving their work practices; and where innovation and growth are stronger as a result.

Building on our world-class research and the existing routes to innovation and commercialisation in universities and colleges and supported by our enterprise agencies, we will take action to spread innovation more widely across the business base. We will build on recent improvements in our innovation performance and reduce the gap in Gross Expenditure on Research and Development (GERD) between Scotland and the EU, with a specific focus on improving our Business Enterprise Research and Development (BERD) performance year on year.

Objectives

To increase the contribution that innovation makes to productivity and sustainable economic growth by:

- Simplifying the innovation landscape and better aligning policy and support for innovation to maximise its impact and effectiveness.
- Ensuring that businesses can access the right range and mix of innovation advice and products to meet their needs.
- Increasing awareness of sources of innovation support and of the benefits that innovation can provide for businesses across Scotland.

Outcomes

Streamlining the Innovation System

Together, Scotland's enterprise and skills agencies will support companies through all stages of the business lifecycle so they can access the right innovation support at the right times from the right providers as they grow and develop. That support will be focussed on the business user, as we address perceived clutter by re-designing public sector support around the customer's journey.

Principles

Building on existing provision, and in line with work undertaken for general business support, business users will experience a simpler customer journey that includes:

- **A single, easy-to-access, digital entry point:** based on customer need not product.
- **A single application:** fewer and ultimately only one request for the same basic information to cover multiple applications.
- **Blended engagement based on business needs:** A mix of face-to-face and digitally-enabled access to information, advice and support through engagement range of channels – including self-service, one-to-many, targeted intensive and expert support.
- **Simple Language:** a simpler common language and a consistent approach from the public sector that fully makes best use of digital support.
- **First and Lead contacts:** contact from the most appropriate first partner will be made within a specified time. This will be followed up with an early, assessment of needs to ensure support is tailored and provided by the right partner. For businesses with significant growth potential, a key contact within the most appropriate agency will be allocated backed by a more rounded team approach that strengthens that individual company's development and growth ambition

On the back of Phase 1 of the Review we have already published an Innovation Action Plan. This Plan focusses on three themes:

- **Ambition** – Creating a Scotland where businesses across the country are ambitious and open to collaborations and partnerships with one another, with academia and with other organisations, and have high levels of innovation and growth as a result.
- **Culture** – Establishing a culture of innovation across Scotland that embeds innovation into everything from policy making to business development.
- **Connections** – Joining up our systems and our expertise, and looking outward to establish links with the right partners across the world.

These themes are supported by four key priorities:

Priority 1: Directly encouraging more business innovation.

Priority 2: Using public sector needs and spend to catalyse innovation.

Priority 3: Supporting innovation across sectors and places.

Priority 4: Making best use of university and college research, knowledge and talent to drive growth and equip Scotland's people with the tools and skills needed to innovate.

Building on the Action Plan

During Phase 2 of the Enterprise and Skills Review, we undertook a review of the innovation ecosystem. What came across clearly in the evidence gathered was that streamlining access to and delivery of innovation support is necessary but not sufficient to accelerate improvements in Scotland's innovation performance to the desired extent.

For innovation to make the impact on the economy that we need, we must develop a collaborative mission that increases the numbers of businesses innovating, increases their investment in innovation, and crucially, focuses on commercialising the results. Our evidence gathering also showed support for streamlining the innovation support system in a way that builds on the strengths of existing approaches. Actions to simplify the innovation system must, and will be, delivered in partnership with the business support workstream.

In support of the innovation action plan priorities, we will also undertake the following additional activity, delivery of which will be overseen by the Scotland CAN DO Innovation Forum:

1. Directly encourage more business innovation by:

- Reinvest savings arising from the review of innovation products in further work to widen innovation across the business base.
- Benchmark Scottish business Innovation Performance.
- Undertake additional research on the interplay between management skills and innovation demand in Scottish businesses, including the specific challenges and needs of family businesses.
- Continue significant existing and planned activity in finance for innovation including delivery of the Scottish Growth Scheme to support businesses in accessing the finance and investment they need to help realise their growth ambitions.
- Ask the Fair Work Convention to identify how our agencies can further embed workplace innovation through enhancing support for adviser training and focusing on demonstrating the productivity benefits of workplace innovation.
- Task the analytical unit with exploring how innovative finance, including peer to peer lending, could be utilised by Government and agencies to efficiently increase investment in R&D, innovation, uptake of existing technology and management practices.

2. Use public sector needs and spend to catalyse innovation by:

- Double funding for CivTech to £1.2m to scale up their activity to address public sector needs with business led innovation.
- Accelerate and deepen collaboration between the NHS, academia and business to position Scotland as an international leader in data driven innovation in health and life sciences.

3. Support innovation across sectors and places by:

- Develop more collaborative supply chain innovation opportunities.
- Maximise the role of Industry Leadership Groups to stimulate innovation.
- Develop a more strategic and coordinated approach to national innovation infrastructure investment.
- Deliver preparatory work on the National Manufacturing Institute of Scotland.
- Work with the strategic board to look at the spatial distribution of innovative companies across Scotland and how this impacts on local economic development.

4. Make best use of university and college research, and knowledge talent by:

- Pilot a £500k College Innovation Fund to support Scotland's colleges to work with businesses on innovation activity.
- Improve Scotland's Innovation Centres engagement with businesses and drive increasing levels of collaboration between business and universities and colleges. We will do this through working with the SFC and our enterprise agencies.
- Develop a sustainable funding model for the Innovation Centre Programme, working in partnership with SFC and the enterprise agencies.

Benefits

- A simplified, streamlined innovation support system, focussed on the needs of the user.
- A shared mission across partners to increase innovation in businesses across Scotland, including greater investment in R&D and knowledge exchange.
- Improved awareness of sources of innovation support and the benefits it can provide for businesses across Scotland.
- Increased and more effective collaboration between business and our universities, colleges and Innovation Centres.
- A commitment to use the needs and spend of the public sector to stimulate business innovation.



International

Vision

We want an enterprise and skills system that works as one both in Scotland and internationally, that inspires, enables and supports Scotland's businesses to trade internationally, and that engages individuals, businesses and institutions to invest in Scotland. One system that promotes a global mind-set, raises international ambition, and works with and for the private, academic and public sectors to maximise the impact of individual action and of Scotland's collective endeavour.

Objectives

- Through the Strategic Board, to deliver a stronger focus on coordination of international activity across the public, private and academic sectors.
- To maximise the benefit from Scotland's wide range of international assets and strengths, including the SDI network.
- To capitalise on the expertise and reach of VisitScotland, Connected Scotland and GlobalScots as well as Scotland's universities.

Outcomes

In conjunction with the Enterprise and Business Support project, five key areas for specific action were identified for examination in Phase 2 of the Review:

Export Support – We will:

- Deliver a partnership approach with Scotland's Universities and Colleges on internationalisation, building on the experience and success of Connected Scotland. Development and implementation of approach to begin immediately.
- Complete the mapping work already underway (*by September 2017*) and build on it to give clarity to agencies, Local Government and end users on the range of services available.
- Develop a written high-level commitment across agencies, government and local government to work in partnership to ensure that there is a clear pipeline of support available for companies at all stages of exporting.
- Re-develop SDI's web presence within Scotland, ensuring that it best presents key information tailored to the needs of users, particularly exporters and investors and aligned with other business support providers.
- Work with SDI, HIE, SLAED, Business Gateway, local Chambers, industry associations and others, to develop and deliver a co-ordinated programme of local trade events across Scotland *by end 2017 (and on-going delivery thereafter)*.
- Provide clarity and consistency in export support across Scotland using the principle of a single entry point, behind which all business advisory services are accessible.

- Following the local/regional export partnership pilots, consider the potential for local export support mechanisms to be rolled out nationally to allow for equitable support across Scotland, particularly for SMEs, who are often not eligible for assistance from SDI.

Country Perspectives – We will:

- Develop a clearer shared understanding of priority countries, recognising that these may be different for trade, investment and Scotland's other interests – by end 2017.
- Where there are shared priorities, work with agencies, universities, colleges, GlobalScots and other organisations to coordinate planning and develop collaborative projects.
- Keep the Scottish Government and SDI's network of international offices under review to ensure the effective use of resources and take into account the experience of new Innovation & Investment Hubs in Dublin, London, Brussels and Berlin.
- Develop a coordinated approach to the promotion of Scotland's trade & investment interests at selected major international events.
- Develop a mechanism for better sharing intelligence from representatives of agencies and partner organisations based overseas with the broader business community in Scotland – by end 2017.

Branding – We will:

- The principal investors in International Marketing activity have joined forces under 'Project Unlimited' to deliver a campaign vehicle for Scotland that will align messaging, creative treatment and the technical deployment of messaging with very clear commercial outcomes. Phase 1 of this project will be delivered in September 2017, and will include a proposed business case for investment in activity that will encourage target audiences in key markets to visit, work, study, live and invest in Scotland.

Overseas and Inward Trade Delegations – We will:

- Look for opportunities to pool resources and work jointly when SDI, Universities, Colleges, Chambers and Government are developing overseas trade missions. To assist with this approach establish a Scotland wide calendar detailing proposed overseas trade missions. This should result in improved co-ordination between partners and in some circumstances reduce the cost to the public purse – by end 2017.
- Develop a single, co-ordinated Scotland wide calendar to allow us to share details of proposed inward visiting delegations – by end 2017.
- Establish a system to assess the relative importance of visiting delegations and help ensure that appropriate resource is deployed – by end 2017.

Inward Investment – We will:

- Build on good examples of joined up working to develop a protocol committing all Scottish partners to work together to maximise the benefit for Scotland from potential inward investors – by October 2017.
- Establish a steering group to assist SDI engagement with the range of relevant public sector bodies that can support Foreign Direct Investment, including universities, structured around the elements of the Trade & Investment Strategy.

- Working with SFC and SDS, and in line with the Skills Alignment element of the Enterprise & Skills Review, we will develop *a focus on skills to meet the needs of inward investors*.
- Through the steering group examine ways to better utilise the international reach of universities, academics and alumni – by October 2017.

Benefits

- Improved co-ordination of the efforts of all the enterprise and skills bodies on supporting businesses internationally.
- Improved economic performance by increasing Scotland's overseas footprint by enterprise and skills organisations.
- Greater degree of exposure of Scottish organisations to international competition and larger international markets through exports and trade.



Skills Alignment

Vision

Our vision is a high performing and responsive skills system which meets the changing needs of learners and employers. In turn this will contribute to higher levels of productivity and equitable access to rewarding employment.

Objective

To align the relevant functions of Scottish Funding Council (SFC) and Skills Development Scotland (SDS) to ensure that our agencies are able to equip Scotland's people and businesses with the right skills and experience to succeed in the economy, not just now but in the future.

Outcomes

The Scottish Government, working closely with SDS and SFC, have identified the following key elements of an aligned skills system:

- A single set of strategic skills guidance from Government to the Boards of both agencies which supports the delivery of the Strategic Board's Strategic Plan.
- A Skills Committee of the Strategic Board which informs joint delivery by both agencies and provides a joint decision making forum.
- A joint team led by a single director reporting to the Chief Executives of both agencies.
- A jointly delivered skills planning and provision model which:
 - identifies skills needs in partnership with industry, other agencies, local government and the Analytical Unit;
 - works with colleges, universities and training providers to respond to skills needs;
 - co-ordinates investment;
 - monitors and manages performance; and
 - Reviews and evaluates impact in partnership with the Analytical Unit.

Benefits

As a result of this greater alignment:

- Learners will be able to access provision which enables them to develop the skills required to contribute to a highly productive workforce.
- Employers will experience reductions in skills gaps and improvements in the skills of their workforce.
- Through collaboration, the capacity of colleges, universities and training providers will be developed and deployed to maximum effect.
- Duplication in public funding will be addressed, leading to more efficient investment in human capital through our education and skills system, and the up-skilling and reskilling of existing workers.



Learner Journey

Vision

We want our learning and skills system to make the most effective contribution to productivity and inclusive growth and provide a post 15 learning experience which meets the needs and aspirations of all young people, equipping them with skills for learning, life and work.

With the learner at the centre, the Scottish Government's vision is for a learning and skills system which enables efficient and effective learning journeys through:

- Informed decision making by the learner.
- High quality learning opportunities.
- Straightforward, seamless efficient connections between different parts of the system, including using existing qualifications and experiences to move more quickly through the system.
- Equality of access to these opportunities, including suitable learner funding.

Objectives

To develop policy proposals on improving the 15-24 Learner Journey, the Scottish Government is taking forward a review, building on the core values and approaches set out in Get It Right For Every Child (GIRFEC), Curriculum for Excellence (CfE) and Developing the Young Workforce. The aim is to enhance the learning and skills system and:

- *Put the learner at the centre* – delivering the full range of opportunities learners need at the right level and the right quality.
- *Prioritise equity of access, so that non-traditional and part-time journeys are supported and joined up*: It is important – not least to provide for the stepping stones for those that need them – that the journeys remain flexible to best support learner needs and preferences. We need also to give learners the time they need as part of a commitment to life-long learning and future up-skilling and re-skilling.
- *Ensure a straightforward and connected system designed for the learner and flexible for change* – learners should easily be able to identify the best journey for them and avoid unnecessary duplication of effort and cost.

Outcomes

The 15-24 Learner Journey Review, whilst being integral to the broader aims of the Enterprise and Skills Review and closely connected to its other work-streams, will deliver a programme of activity extending well beyond the close of the of the Enterprise and Skills Review.

It is currently in Stage 1, in which we are gathering the evidence and engaging stakeholders including young people, reporting in autumn 2017. During Phase 2 of the E&S Review, the 15-24 Learner Journey Review programme governance has been put in place, there has been extensive engagement with stakeholders at national and regional level and there has been a focus on gathering the views of young people. Key areas of focus have been agreed with stakeholders, and the review is being taken forward through five projects:

- Improving information, advice and application processes – This will include an options appraisal of a learner choices and applications service which brings together student support information and the careers, advice and information system on My World of Work with UCAS, Apprenticeship online and a new college application process.
- Improving understanding and connectivity of the careers service in colleges and universities – This will include a review of current careers advice and guidance services for learners in college and university.
- Improving the ease and equity with which young people can apply to college – Recognising the work already being taken forward as part of the Commission for Widening Access, this will focus specifically on evaluating the benefits and costs of a common application process for colleges.
- Improving the design, alignment and coherence of the 15-24 learning journey and the ease with which all young people move through their learning, regardless of where they are studying – This will include evaluating the opportunities and learner journey choices in and across schools, colleges and community/third sector based learning. Identify and consider any unnecessary duplication of learning. We will establish options for removing unnecessary repetition and maximising progression through levels of study in or between school, community, college, training and university.
- Improving the system and removing unnecessary duplication – We will develop a system wide analysis of unit cost and rate of return across school, community, college, training (including employability programmes), and university. We will use this to inform options for the future balance and method of investment. We will consider the future strategic direction of the learning system in Scotland

Benefits

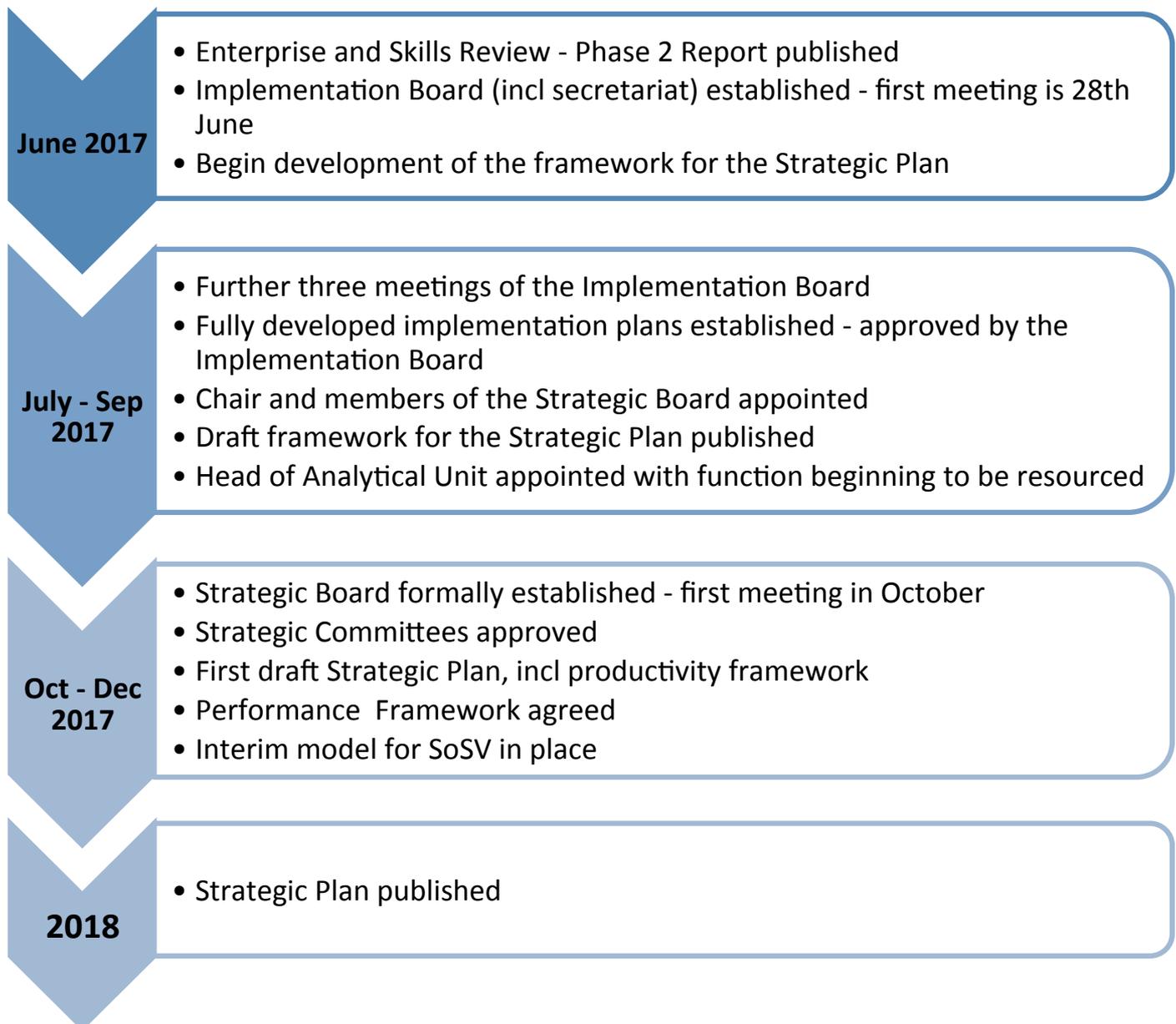
- Improved ease with which all young people can move through their learning, regardless of where they are studying.
- Improved design, alignment and coherence of the 15-24 learning journey.
- Improved ease and equity with which young people can apply to college.

4. Implementation

As we continue to transition to full implementation of recommendations, it is essential that momentum is sustained, delivery supported, and that we maximise the benefits of identified opportunities.

The range of deliverables from this phase of the review means that ownership of implementation will sit across many organisations within the overall enterprise and skills system. In particular, we expect the new Strategic Board to adopt and oversee delivery of many of the activities that are articulated within this report. Details on how these will be implemented and by when should be included within the wider Strategic Plan.

More immediately, the figure below sets out the Scottish Government's implementation timetable for the Governance aspects emanating from the review. It shows that the Strategic Board will be in place by October 2017, with the South of Scotland benefiting from a new interim approach, being implemented in the autumn.





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