



ENTERPRISE & SKILLS REVIEW: REPORT ON PHASE 1

OCTOBER 2016





FOREWORD BY KEITH BROWN

Scotland has a vibrant and diverse business base, with strengths across a wide range of sectors. That success is based on both the skills and ingenuity of our people and the maintenance of a supportive and competitive business environment.

We are justifiably proud of our enterprise and skills agencies – Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland, and the Scottish Funding Council. Our agencies, colleges and universities have played a key role in developing this environment and in helping our businesses to thrive and grow. In recent years their efforts have contributed to real improvements in our economic performance across a range of key economic indicators.

Since 2007 we have seen growth in R&D investment by Scotland’s businesses, exports have increased, and we have consistently secured among the highest levels of inward investment in the UK. Alongside these achievements we have continued to develop a highly-qualified and well-educated workforce.

More fundamentally, we have made progress in narrowing the productivity gap with the UK. But we know that further improvement is required – our ambition is for Scotland to rank among the top performing OECD nations for productivity, equality, sustainability and wellbeing.

On 25 May 2016, the First Minister announced a review of enterprise and skills support in Scotland to help make further progress towards these goals. Since then, the EU Referendum result has made the economic context more challenging. It requires that we renew our focus, prioritise our efforts, and leverage all our assets across the public sector and in partnership with business and civic society to maintain prosperity and opportunity for our people.

Although the economic context has changed, Scotland’s Economic Strategy continues to set the overarching framework for delivering the more productive and cohesive Scottish economy that we seek through ever greater focus on growth driven by investment, innovation, exports and inclusion.

In undertaking this review, I have been grateful for the support of the members of the Ministerial Review Group and the wide range of expertise, constructive input and challenge that they have brought. I am also very grateful for the high level and high quality of responses to the call for evidence that we undertook as a key part of the review.

This review has focused on how we can work within the framework of our economic strategy and build on existing strengths and successes to further improve the enterprise and skills support system in Scotland. Its decisions cover a range of aspects that are designed to deliver on our aspirations for a more prosperous and inclusive Scotland by ensuring coherence and hence a simpler, more flexible and cost-effective system of national and local support. This will ensure a system in which all of our agencies work hand in glove with each other and collaboratively with our business, academic and civic partners to optimise economic impact across the whole of Scotland.

In taking forward this work, I want to harness and build on high levels of engagement generated by the review so far. This report sets out the conclusions of phase 1 of our work and the framework for the shape of enterprise and skills services in the future. Phase 2 will take forward implementation of those conclusions. In phase 2, we will also explore how we can better work in partnership with local government and their business and other local interests to maximise regional opportunities and respond to local needs and how, working with our agencies, we can take forward the right digital approach and a new system of enterprise and skills support.



Keith Brown, MSP

Cabinet Secretary for Economy,
Jobs and Fair Work

October 2016

KEY STEPS

In its focus on improving economic outcomes, the review has been guided by the principles outlined in its [remit](#):

- 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; and
- to ensure a simpler and more coherent enterprise and skills support system.

We have engaged widely to understand stakeholder views and published a number of key pieces of [evidence](#). These include:

- a high-level overview of current economic performance and the nature of the challenge;
- the findings of a public 'Call for Evidence' process that was undertaken from 15 July-15 August and generated 329 responses;
- reports on international enterprise and skills experience and practice commissioned from experts; and
- a report on outcomes from workshops with users of business and skills support.

The review has benefited from the input of the [Ministerial Review Group](#). This Group comprises individuals with a wide range of expertise drawn from business, business organisations, colleges, universities, the National Union of Students, COSLA and the STUC. It has met regularly during the review and contributed considerably to our thinking.

In reaching our conclusions the following key themes have emerged:

- the degree of alignment between enterprise and skills support services, and how to measure impact;
- the optimal fit between national and local priorities;
- the need for a 'no wrong door' approach to simplify service and funding streams;
- how best to augment support for internationalisation in a changing context;
- how to improve our innovation performance; and
- how we improve skills provision and utilisation.

There is some overlap between these issues and the findings of Audit Scotland's report on 'Supporting Scotland's Economic Growth' (July 2016). In addition, we have taken into account Audit Scotland's 2016 work relating to Scotland's Colleges and to Higher Education in Scottish Universities, and Professor Graeme Reid's Review of the Innovation Centres Programme.

On 15 September we announced that we would take forward the review in two phases in response to the new economic context and in order to ensure that we fully capture the high levels of interest generated by the review so far. This report covers the findings of the first phase. It sets out our headline aims and the changes we believe are needed now to deliver on our economic growth and inclusion ambitions.

ACTIONS

One Scotland – STRONGER GOVERNANCE OF A COHERENT SYSTEM

- 1) To bring greater integration and focus to the delivery of our enterprise and skills support to businesses and users of the skills system, we will create a new Scotland-wide statutory board to co-ordinate the activities of HIE and SE, including SDI, SDS and the SFC.
- 2) To support the new board, we will review existing data and evaluation functions to further align our enterprise and skills support and to ensure robust evaluation of activity and impact.

NATIONAL AND LOCAL ENTERPRISE AND SKILLS DELIVERY

- 3) Recognising the different social, economic and community development challenges facing the Highlands and Islands, we will maintain dedicated support which is locally based, managed and directed by HIE.
- 4) Recognising the unique challenges faced in the region, we will create a new vehicle to meet the enterprise and skills needs of the South of Scotland. This will be accountable to the new Scotland-wide statutory board alongside our other enterprise and skills bodies.

AN OPEN AND INTERNATIONAL ECONOMY

- 5) In order to bring greater coherence as we step up the pace of delivery of our Trade and Investment Strategy through activity such as the establishment of a new Board of Trade, the appointment of Trade Envoys, the establishment of an Innovation and Investment Hub in Berlin, and the doubling of SDIs presence across Europe, we will ensure a much stronger focus on co-ordinating international activity across the public and academic sectors to deliver maximum benefit for Scotland.
- 6) We will consider the role, position and governance of SDI and its possible establishment as a distinct and separate organisation under the new Scotland-wide statutory board delivering a broader range of international activities and support.

INNOVATION

- 7) We will review, streamline and simplify the innovation support ecosystem, connecting programmes, funding and delivery mechanisms. We will ensure that more businesses in Scotland increase their level of innovation to realise their major growth ambitions by implementing an innovation action plan that will be published by end of November.

SKILLS PROVISION AND ECONOMIC SUCCESS

- 8) We will align the functions of our learning and skills agencies to better join up how education services and training are planned and provided to learners and employers.
- 9) We will conduct a comprehensive review of the Learning Journey focused on sustained employment, with significantly enhanced use of labour market information in skills planning at its heart.
- 10) We will review the effectiveness of our investment in learning and skills to ensure we have the right balance of provision across age groups and sectors and to maximise our contribution to productivity and inclusive growth.

PHASE 1: FINDINGS AND DECISIONS

STRONGER GOVERNANCE OF A COHERENT SYSTEM

Vision: Our vision is a Scotland that is among the top OECD nations for productivity and equality. A Scotland where we build on the existing achievements of our enterprise and skills bodies by enhancing coherence and focus, by bringing each of them under the direction of a single board, by de-cluttering and simplifying the system for the user, and enhancing and measuring the impact of our success. A system that facilitates partnership with business, academia, the third sector and local government to optimize what we can achieve together.

Guiding principles: The review's wide-ranging engagement has identified the following key principles that will underpin our drive for deeper alignment:

- we should retain our existing strong coherent economic strategy and focus on improving performance in relation to investment, international, innovation and inclusive growth;
- we should optimize what can be achieved by working across the enterprise and skills system seamlessly with a focus on agreed priorities and objectives;
- we should build on existing analytical and performance measurement capability to improve the measurement of whole system impacts and enhance our capacity to respond quickly; and
- we should simplify and improve the system for business, learners and other users and to enhance partnership working with business, third sector and local government interests.

Current strengths and successes: Scotland has a diverse and resilient economy that provides solid foundations on which to build. The Scottish economy grew 0.7% over the year to Q2 2016, and GDP now stands 10% higher than at the low point of the recession at the end of 2009. The number of people in employment is currently 2,618,000, 54,000 above the pre-recession peak (March-May 2008). The unemployment rate is currently 4.6%, which is lower than the UK as a whole. Other strengths include:

- a strong performance on post-secondary qualifications with one of the highest rates in the EU;
- over £27 billion of international exports a year, an increase of over 17% since 2010;
- the highest level of private sector businesses since records began, an increase of 7.8% between 2014 and 2015;
- the second highest level of Foreign Direct Investment projects in UK in 2015, behind only London;
- five universities in the top 200 in the world, more than any other country per head of population except Luxembourg;
- 25,818 Modern Apprenticeship starts in 2015-16, above the target of 25,500;
- one of the highest rates of spend on Higher Education Research and Development in the OECD, and with Business Expenditure on Research and Development that has increased by 44%, in real terms, since 2007;
- over £1 billion of investment in our higher education institutions in 2016-17, building on over £4 billion over the last four years;

- enterprise agencies that have supported 340 businesses to export and over 1,000 businesses to become innovation active in the last year; and
- being one of the first countries in the OECD to put inclusive growth at the heart of our economic strategy, focusing on the mutually supportive pillars of increasing competitiveness and tackling inequality.

Challenges and opportunities: Whilst Scotland has significant economic strengths, the evidence and views of a broad range of system users suggest scope for improvement around:

- maximising impact by focusing on well-defined goals, shared ownership and clear accountability;
- perceptions of a ‘cluttered landscape’ where unclear roles and responsibilities may lead to agencies duplicating activity or users finding it difficult to understand access criteria and the entirety of available support;
- simplifying service delivery by developing a ‘no wrong door’ approach that hides operational complexity for users;
- the need to improve digital performance, to focus on targeted advice (which can be more appropriate than funding schemes or grants), and to streamline funding and more closely align it with the shared national ambition;
- the need for improved system-wide performance measures that evaluate individual and cumulative agency contributions to delivering national targets and outcomes; and
- the need for businesses to influence the development and operation of enterprise and skills support, with views differing on the extent of this relative to academic and other input.

Action: In order to strengthen governance and deliver the benefits of a single system:

- **To bring greater integration and focus to the delivery of our enterprise and skills support to businesses and users of the skills system, we will create a new Scotland-wide statutory board to co-ordinate the activities of HIE and SE, including SDI, SDS and the SFC.**
- **To support the new board, we will review existing data and evaluation functions to further align our enterprise and skills support and to ensure robust evaluation of activity and impact.**

NATIONAL AND LOCAL ENTERPRISE AND SKILLS DELIVERY

Vision: We seek to build an economy that is equitable and has the necessary flexibility and focus to respond well to local circumstances. To do this we will work with local and regional partners to understand key challenges and to maximise economic opportunity in all parts of the country.

Guiding principles: Drawing on the collective experience of individual experts and the lessons of previous approaches, our national and local co-ordination of enterprise and skills support will reflect the following:

- the rationale for moving away from uniform separate regional structures across Scotland in the 2007 Enterprise Network Reforms remains valid;

- arrangements should respond to the differing opportunities and challenges across Scotland, including an openness to pilot fresh approaches in one or more areas; and
- local and regional level arrangements throughout Scotland should be developed in partnership with local government.

Current strengths and successes: Scotland has a diverse business and asset base that creates opportunities for future growth. Different approaches to fostering these opportunities highlight successes around which future local and national action can be focused. Examples include:

- broad agreement that national and local parties can align behind an inclusive growth agenda which allows communities across Scotland to prosper – recognising the significant current local investment and action that supports economic growth;
- City Deals that drive economic growth and inclusion at city region levels, and improve knowledge sharing and risk awareness. These engage key public and private sector organisations, and are supported by robust regional governance;
- the strong partnership working in developing Regional College Outcome Agreements that reflect economic circumstances and skills needs in each region;
- HIE’s specific expertise and support to strengthen communities and address issues in remote, rural and fragile areas. HIE account manages 44 communities, all of which are pursuing revenue earning projects; and
- the partnership approach to delivering the Highlands and Islands Skills Investment Plan that matches individual skills development to local industry needs supported by local plans.

Challenges and opportunities: Responses to the call for evidence and engagement with key stakeholders highlighted opportunities for improved local support around:

- a stronger regional approach where appropriate to respond to need;
- inconsistency in how the particular needs of the Highlands and Islands and the South of Scotland have been addressed, despite the socio-economic circumstances faced by both areas being more similar to each other than to the Central Belt;
- the effectiveness of the link between national and local enterprise support, including Business Gateway;
- national skills support products and their scope to meet local needs; and
- building on the positive impact of current economic partnerships, for example the work of the three Ayrshire Local Authorities around a growth deal and South Lanarkshire’s participation in the Glasgow City Region Deal.

Action: In order to ensure that economy has the necessary flexibility and focus to respond well to local circumstances:

- **We will recognise the different social, economic and community development challenges facing the Highlands and Islands and maintain dedicated support which is locally based, managed and directed by HIE.**
- **We will recognise the unique challenges faced in the South of Scotland and create a new vehicle to meet the enterprise and skills needs of the region. This will be accountable to the new Scotland-wide statutory board.**

AN OPEN AND INTERNATIONAL ECONOMY

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 mindset, 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.

Guiding principles: Our actions in this area are based on the wide range of experience and expertise which the review has drawn upon, including:

- an existing internationalisation agenda which improves understanding of international opportunities and increases our appetite and ability to seize them; enhances our ability to influence the world around us; and raises Scotland's profile and reputation;
- an approach that builds on *Global Scotland*, Scotland's Trade and Investment Strategy for 2016-21;
- a One Scotland approach so that working together across the public, private and academic sectors and among individuals and businesses is the norm; and
- agility in our response to international opportunities and circumstances.

Current strengths and successes: Work across the public, private and academic sectors already provides a strong foundation for achieving our vision:

- between 2010 and 2014 international exports increased by £4.0 billion (17.3%) from £23.4 billion to £27.5 billion;
- total food and drink manufacturing exports increased by £3.4 billion (63%) from £5.4 billion to £8.8 billion between 2002 and 2014;
- the 2016 EY Scotland Attractiveness Survey ranks Scotland as the top location for inward investment in the UK outside of London;
- Scotland is now the top UK region for R&D inward investment, with 2015 a record year in attracting 23 individual projects, up from 17 in 2014;
- SDI's support to Scottish companies has increased from 1,380 companies in 2011-12 to 2,607 companies in 2015-16; and
- Scotland's universities attracted over 50,000 EU and international students in 2014/15. They have agreements with other universities across the world; have established or are developing campuses in places from Malaysia to Dubai to South Korea; and are internationally renowned for their research and academic excellence.

Challenges and opportunities: Our existing strengths and successes, and the agenda for internationalisation set out in our Trade and Investment Strategy, provide a strong platform for the future. However, Scotland's long-term economic performance depends on greater success in international markets and in continuing to attract stronger investment. The outcome of the EU Referendum puts this at significant risk

In this context, the review identified:

- the need for a more concerted and better co-ordinated effort across the enterprise and skills system and beyond to ensure that our collective international activity, and not just that focused directly on trade and investment, delivers maximum benefit for Scotland;

- a need to improve understanding of SDI's responsibilities and governance;
- the need to embrace digital as a key means of accessing international opportunities and to provide and join up services in Scotland and internationally; and
- the scope and opportunity to make even more of Scotland's wide range of international assets and strengths, including the SDI network; the expertise and reach of VisitScotland; the development of innovation and investment Hubs in London, Dublin, Brussels and Berlin; networks such as Connected Scotland and Global Scots; and our universities' global reputation, teaching and research reach.

Action: In order to bring greater coherence as we step up the pace of delivery of our Trade and Investment Strategy through activity such as the establishment of a new Board of Trade, the appointment of Trade Envoys, the establishment of an Innovation and Investment Hub in Berlin, and the doubling of SDI's presence across Europe:

- **We will ensure a much stronger focus on co-ordinating international activity across the public and academic sectors to deliver maximum benefit for Scotland.**
- **We will consider the role, position and governance of SDI and its possible establishment as a distinct and separate organisation under the new Scotland-wide statutory board delivering a broader range of international activities and support.**

INNOVATION

Vision: We want 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 academia, and with other organisations, and have high levels of innovation and growth as a result.

Guiding principles: Innovation and collaboration are about turning ideas and research into new or improved products, services or business processes. To drive this:

- we need to simplify the innovation landscape and align better our innovation approach to maximise the impact of public sector support for innovation;
- we need to ensure that we have the right range and mix of accessible innovation advice and products, tailored to the right customers and meeting their needs; and
- we need to increase awareness of sources of innovation support and the benefits it can provide for businesses across Scotland. This should include access to academic expertise and facilities across Scotland.

Current strengths and successes: Scotland has a world-wide reputation for invention and innovation. Evidence shows that:

- Scotland's world-class innovation assets include a highly skilled and qualified workforce, a strong HE sector and research base, and a number of internationally innovative companies across a variety of sectors;
- our businesses have been improving their innovation performance in recent years through increased investment and increased innovation activity;
- Scotland does well internationally on the enablers of innovation, ranking second among EU countries in terms of university graduates as a share of the adult population, and fifth in the OECD in terms of expenditure on higher education R&D.

Our public sector plays a number of important roles in supporting innovation by:

- acting as a catalyst through procurement and support for research and innovation;
- contributing to the creation and development of innovative firms and assisting existing businesses to access finance and assimilate innovative products and ways of working;
- helping to shape markets and create the best environment for innovation; and
- driving collaboration between business and academia.

Scottish Enterprise, which provides the bulk of our business-facing innovation support, has improved its approach in order to widen and deepen business innovation activity. A review of innovation support over the past decade shows that it has:

- significantly increased the reach of its innovation support and engaged with an additional 2000 new innovation companies;
- increased the economic return on its innovation investment to £15 for every £1; and
- increased export activity, with the innovative firms it works with now more than three times more likely to export.

Challenges and opportunities: Nonetheless, Scotland remains a mid-ranking nation when it comes to innovation performance overall. Significant gaps remain between our performance and the best-performing countries in the OECD. Evidence shows that:

- although Scotland's innovative SMEs are amongst the most likely in the EU to collaborate with others on innovative activities, Scotland has a notably lower share of SMEs innovating in-house;
- although more businesses are innovating, Scotland still lags behind the leading regions and countries in Europe with a lower share of 'innovation active' businesses overall. Although Scotland's larger businesses are more likely to be innovative than smaller or medium-sized businesses, innovation rates for both medium and large-sized businesses still substantially lag behind the EU average;
- Scotland lags behind other parts of Europe in the economic outcomes associated with innovation, e.g. in terms of employment and of its export share in knowledge-intensive manufacturing and services; and
- basic digital skills issues persist both for businesses and individuals, alongside gender segregation in educational choices.

In helping to build and develop an environment that supports innovation we need to address several challenges highlighted in the Call for Evidence:

- simplify and streamline funding and interventions and reduce duplication in our support for innovation, while ensuring it is agile, fast and flexible in responding to businesses' needs;
- improve leadership, digital and other skills to drive innovation and enterprise;
- maximise the impact of university research to increase collaboration with businesses in Scotland and internationally in order to better drive improved economic output;
- make better use of our existing network of innovation centres and ensure the wider public support landscape enables growth; and
- maximise the impact of our world-renowned research base.

Action: In order to drive up innovation across Scotland:

- **We will review, streamline and simplify the innovation support ecosystem, connecting programmes, funding and delivery mechanisms. We will ensure that more businesses in Scotland increase their level of innovation to realise their major growth ambitions by implementing an innovation action plan that will be published by end of November.**

SKILLS PROVISION AND ECONOMIC SUCCESS

Vision: The recently published Labour Market Strategy makes clear our ambitions to deliver a labour market where there:

- is a skilled, productive and engaged workforce capable of meeting the needs of employers;
- is equality of opportunity to access work and to progress to ensure everyone is able to maximise their potential;
- are fulfilling, secure and well-paid jobs, where employees' contributions are encouraged, respected and valued;
- is low unemployment and high employment; and
- is an economy that supports a sustainable working population and can retain and attract new talent to meet our wider economic and social ambitions.

Guiding principles: The skills and learning systems contribute to our economic success by supporting people to get the skills they need to participate in the labour market and by ensuring our employers are supported to build and develop the workforce they need to succeed. Building from this strong base, we need to better meet the needs of learners, colleges, universities, business and employees by:

- focusing on an efficient learner journey toward and into sustained employment, with funding mechanisms aiding that journey; and
- supporting learners' progression at each stage of that journey, even as they switch between types of learning and institutions.

Current strengths and successes: Scotland already has a high-performing skills system by many measures:

- a strong performance on post-secondary qualifications with one of the highest rates in the EU;
- our college reforms have seen the emergence of a network of regional skills and technical education hubs focused on the needs of the region's learners and employers;
- five universities in the global top 200; and
- the scale, impact and ambition of our Modern Apprenticeship programme has grown significantly over the past decade in partnership with employers across the economy.

The review has highlighted the importance of good quality labour market information to better drive the planning and procurement of skills across the system. Skills Development Scotland has made good progress in recent years with the development of Skills Investment Plans and Regional Skills Assessments. The Scottish Funding Council, having responsibility for funding both further and higher education, has been in a unique position of being able to think strategically about the learning system as a whole, using this information to help meet the needs of students as they progress through their learner journey.

Challenges and opportunities: Building on this, the first phase of the review has concluded:

- that we need to enhance significantly the use of information across the system to ensure that learners have a wide range of high quality options that are informed by the needs of employers;
- that we should consider the types of partnerships necessary to improve our responsiveness to regional skills needs, starting with the alignment of the two skills agencies;
- the move to more joined-up governance of the skills and enterprise agencies should be replicated at an operational level, with much closer alignment across the system with the planning and provision of learning and skills;
- the importance of understanding better the most effective balance of our skills investment to maximise the return in terms of productivity and labour market inclusion; and
- the need to consider how we invest to ensure the most effective support for, and contribution from, those in work, always mindful of changing external factors.

Action: In order to contribute to increased productivity, we want to make sure that learners move as effectively and efficiently through their learning toward employment. To support this, we will start to take forward the following improvements with our agencies over the coming months:

- **We will align the functions of our skills agencies to better join up how learning and skills are planned and provided to learners and employers.**
- **We will conduct a comprehensive review of the Learning Journey focused on sustained employment, with significantly enhanced use of labour market information in skills planning at its heart.**
- **We will review the effectiveness of our investment in learning and skills to ensure we have the right balance of provision across age groups and sectors and maximise its contribution to productivity and inclusive growth.**

PHASE 2: IMPLEMENTATION, NEXT STEPS AND FRONT-LINE SUPPORT

Phase 1 Implementation

In phase 2 we will undertake the implementation of our phase 1 decisions. This will include working with the agencies and other partners to strengthen our enterprise and skills system by:

- consulting on the strategic board, the best distribution of functions between the agencies underneath it, and the associated legislative requirements;
- taking forward plans for the development of a common analytical approach;
- developing a number of common targets aligned with Scotland's National Performance Framework and Economic Strategy to help measure performance;
- exploring how best to create the new vehicle to meet the needs of the South of Scotland, including clarifying its boundaries and the locally-based support it will deliver; and
- taking forward our decisions across internationalisation, innovation and the learning journey.

Next Steps – Regional Partnerships

In addition, we will work with COSLA, local authorities and their business and other local partners to build on existing and emerging opportunities throughout Scotland and to optimise regional economic impact while remaining responsive to meeting local needs. This is with the aim of building on assets to harness regional strengths to stimulate local economic development and to build inclusive growth.

Next Steps – Strengthening Front-line Support

In phase 2, we will also undertake further work with our agencies to develop the right digital approach and a new system of enterprise and skills support.

On digital, evidence from the review highlighted the critical dependency of our global economic competitiveness on the **right digital approach**. Stakeholders identified various key contributory factors: connectivity; skills; business capability to operate digitally; and the development of digital public services. They highlighted the need:

- for good connectivity across all parts of the country;
- to increase general digital skills levels across all parts of our population, including those in work;
- for increased specialist skills to be available to ensure that businesses can design modern, internationally competitive services;
- for more businesses to be fully digital, applying digital technologies in core business beyond website design to reach and service customers, respond to feedback, improve back-office support, use analytics, and develop new types of services;
- for a wider digital support offering to more businesses; and
- public services to be available digitally and be user-focused with ‘no wrong door’ access.

In response, we will seek to implement with agencies over the coming months:

- a step-change in digital skills provision at both general and specialist level;
- wider support for more businesses to increase their appetite and skills to operate digitally so that every business can be a digital business; and
- better communication of the Scottish Government’s infrastructure plans, and ongoing examination of how best to accelerate improved coverage.

On enterprise support, evidence from the review suggested the system had broadly identified the right strategic framework and considered areas where operational delivery might be improved. It was suggested that:

- it may be reasonable to seek certain attributes or contributions from companies seeking and receiving public sector support;
- ‘high growth’ company support might be better and more clearly targeted and should be time-limited in nature, with clearer entry and exit points;
- more companies might benefit from advice and support, with a wider core offering around increasing productivity, innovation, digital support and exporting;
- targeting should be reviewed and focused on increasing impact;

- in many cases, the right advice and support for businesses might offer greater impact than grant; and
- there are opportunities to involve businesses more effectively in the design of services and some aspects of delivery.

In response, during phase 2 we will look at the best way to take forward:

- improving the delivery of enterprise support with better targeting, and clearer entry and exit points;
- a wider and more coherent offering of core support to more businesses. This will cover innovation, productivity, digital and exporting, and may include improved web-based delivery and one-to-many engagement;
- increased focus on ensuring the right advice and support services over grant provision;
- closer engagement with the private sector to shape how the public sector can meet business needs; and
- the right areas for the private sector to engage in providing services.

ANNEX

Scotland's Enterprise and Skills Agencies – Factual Background

Scottish Funding Council (SFC) was established under section 1 of the Further and Higher Education (Scotland) Act 2005 and is given various statutory functions in that Act, e.g. the undertaking of research. The Act also sets out the number of board members and details their appointment arrangements. The SFC Board is accountable to Ministers for the funding it is given, under terms of conditions of grant and a Ministerial letter or guidance, and the Chief Executive is an Accountable Officer. Ministers have statutory powers of direction. A Framework Document governs the relationship between Ministers and the Agency.

Scottish Enterprise and Highlands and Islands Enterprise (SE and HIE) are set up under Part 1 of the Enterprise and New Towns (Scotland) Act 1990 and have various functions under that Act. HIE has some additional social development responsibilities to SE. The legislation sets out the number of board members and details their appointment arrangements. Framework documents govern the relationship between Ministers and the Agencies. Chief Executives are Accountable Officers. Ministers issue strategic guidance letters and budget allocations. Ministerial agreement is required for certain decisions, e.g. relating to new leases, and Ministers have the power to issue Letters of Direction.

Scottish Development International (SDI) brings together the Scottish Government, Scottish Enterprise and Highlands and Islands Enterprise. It is the lead body for driving forward international trade and investment support in Scotland.

Skills Development Scotland (SDS) has no statutory governance structure, although it has a number of statutory functions. It is a company limited by guarantee with Scottish Ministers the sole member of the company. Its powers and functions are determined by Memorandum and Articles of Association, which may be adjusted by special resolution to Companies House. Ministers set out their priorities in annual budget allocation letters and in strategic guidance letters.

SE, HIE, SDS and the SFC all collect and analyse **data** to help them to carry out their functions as effectively as possible. Some also carry out **evaluation** functions to help to identify the most effective interventions. The Agencies undertake **strategic analysis** both in relation to national priorities and to support their specific delivery functions.

Local government – Local authorities can promote economic development under the power to advance wellbeing (The Local Government in Scotland Act 2003 – Guidance on the Power to Advance Wellbeing). The Business Gateway service is one element of economic development services offered by local authorities. It is delivered locally through Councils, either by in-house provision or externally by a contractor. Its funding forms part of the local government funding block. Beyond local authorities there is significant existing regional activity (e.g. ONE, City Regions). There are **three City Deals** in Scotland (Glasgow, Aberdeen and Inverness). Together, these commit Scottish Government funding of £760 million over the next 10-20 years. There is a commitment to tripartite discussions on a **City Region Deal** for Edinburgh and South East Scotland.



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