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Enterprise and Skills Review

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Statement to Parliament by Economy Secretary Keith Brown.

Presiding Officer, today I will offer an update on the progress of the Enterprise and Skills Review which aims to align and improve our enterprise and skills system. In doing so I am fulfilling the commitment I made to Parliament in January to provide an update on the Governance aspects of the Review.

Since January there have been two debates within this chamber which have highlighted the Parliament's views on matters relating to the Strategic Board. On both occasions Scottish Ministers have been clear that we would listen to the views being expressed. I have done this, and am thankful for the opportunity to address the concerns raised.

As well as talking about Governance today, I also want to highlight our vision for a more productive and inclusive economy and the economic objectives we want to achieve.

When I published Phase 1 of the Enterprise and Skills Review in October last year, I set out the level of the challenge which the Scottish Economy faces. In particular, the urgent action necessary as a result of the EU referendum.

Despite these challenges, the Scottish economy continues to perform, and I am delighted to note that we have recently progressed to the 2nd OECD quartile for productivity. This demonstrates that the fundamentals of the

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Scottish economy are strong and that progress is possible with sustained and concerted effort.

We have substantial natural resources, one of the most highly educated workforces in Europe, a long standing reputation for innovation and an internationally- recognised brand. We are world leaders in key industries of the future, such as life sciences, financial services and financial technology, creative industries and sustainable tourism.

However, the status quo will not deliver the economic step change necessary to realise our ambition to rank in the top quartile of OECD countries for productivity, equality, wellbeing and sustainability.

Productivity drives the overall standard of living in our economy and the competitiveness of our businesses. A step change in productivity will deliver an opportunity to see higher wages, greater competitiveness, and increased quality of life for everyone across Scotland.

This review is exploring how our agencies can leverage the strong fundamentals of our economy to help individuals and businesses realise their ambition, taking advantage of the rich opportunities that exist in Scotland.

As just one example of our increasing effort, I will be committing £1 million next financial year (and for the following 3 years) to create a new Scottish Public Sector Innovation Challenge Fund. I have asked Scottish Enterprise to lead on this and to work with partners to scale up the fund in 2017/18 and future years.

This fund will use the public sector's demand for improved services to stimulate and support the development and commercialisation of innovations from indigenous supply chain companies. This approach will benefit everyone by finding innovative private sector led solutions for complex public sector issues, improving services for citizens across the whole of Scotland, saving money and increasing opportunities for business innovation.

The enterprise and skills system is fundamental to achieving our ambitions . Our agencies, sharing a common purpose and strong leadership can create the conditions to increase productivity and help deliver the skills that Scotland's people and economy need. That is why we put productivity growth at the centre of our vision for the Enterprise and Skills Review.

We recognise and appreciate the vital contribution that the four agencies – Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and the Scottish Funding Council make to creating a more successful country, delivering opportunities across Scotland which support inclusive and sustainable economic growth.

So, far from diminishing the role of the Agencies, I want this review to set out how we can enhance the impact of the investment we make on economic and skills development in Scotland. We want our agencies to create some of the best conditions in the world for inclusive growth. That is why the Review is exploring how our agencies can transform the services, skills and the support

necessary for business and individuals across Scotland to be successful.

I want to create a system of Enterprise and Skills support that is greater than the sum of its parts.

Many of the responses to Phase 1 of the Review highlighted the need for greater alignment in order to deliver greater economic impact, including Audit Scotland.

Our commitment to create a Strategic Board will deliver greater collaboration, innovation and common purpose across the Agencies.

While support for the Strategic Board has been considerable, it was clear that there were concerns about how it would impact on our agencies, particularly HIE and the SFC. I agree that any new arrangement has to carefully balance the different interests of the regions of Scotland and the full statutory functions and responsibilities of each agency.

This is why I asked Professor Lorne Crerar – chair of Highland and Islands Enterprise – to lead discussions with his fellow Chairs, and others to scope potential structures and functions for the new board and consider how that would align with arrangements at agency level.

I would like to thank Professor Crerar for his considered and detailed paper. He has shown great personal commitment and objectivity in taking forward this work.

I have reflected on the proposals and the views expressed in this chamber and more widely in determining the role, function and structure for the Strategic Board and its relationship to governance at agency level. Similarly, I have tested all of this against what will best deliver our ambition.

So my intention is to build on Professor Crerar's proposals and to establish a Strategic Board with the aims he identified and also with a further aim: *'To deliver wider collective leadership, based on common culture and values, and which inspires and empowers delivery.'*

This final aim recognises the need for a step-change in the culture across the system and with those they engage with. This must take the shape of fundamental, meaningful collaboration – reflected in day to day joint working at every level.

The Board, which I can confirm today will be led by an independent Chair from the business community, will develop a Strategic Plan underpinned by common, evidenced performance measures upon which Agencies can collaborate.

Each Agency will have a seat at the table through their Chair, and will be joined by strong non-executive members drawn from wider economic and societal interests including members with experience of business, local government, research and skills, and trade unions.

We recognised the need for change following the Phase 1 Report, but have listened to the views of Parliament that more can be done within the existing structures to drive change. Professor Crerar also helpfully set out a way he

thinks we can achieve this and, on that basis, I do not intend to bring forward legislation to change the name, functions or structures of the Agency Boards.

I have listened to a wide range of voices over the last few months, including my Highlands and Islands SNP parliamentary colleagues, MSPs from other parties and the business community, who have asked that across the parties we demonstrate consensus on the fundamental importance of business support and enterprise.

In particular I have listened carefully to this parliament.

So I confirm today that the boards, of HIE, the SFC and the other agencies will remain but there is an absolute expectation that the Agencies will work to align their delivery to maximise their positive impact on the economy. As I have previously promised, HIE will continue to be locally-based, managed and directed, and the new arrangements will protect and enhance their unique service.

As recommended in Professor Crerar's report, I will obviously want to work to develop the functions of the Boards, along with the Boards themselves, consistent with their existing statutory basis, to ensure they can collaborate effectively to deliver the Strategic Board's purpose and achieve our overall vision.

I recognise the value in bringing the Agencies together quickly to form an Implementation Board. This will also include some members of the Ministerial Review Group and will develop the detailed work necessary to bring the Strategic Board into being.

Phase Two of the review began in November 2016 and is due to last for six months. In the coming weeks I will publish a report demonstrating progress across all areas during Phase Two.

For example, it will highlight work that VisitScotland are leading in collaboration with other agencies that will result in powerful, consistent messaging and identity which can be used across government, agencies, universities and businesses collectively and individually where and when appropriate.

The narrative and campaign will use our natural and built assets - be it the renowned beauty of our landscapes and seascapes, our rich history and culture or the pioneering drive of Scotland across academia and industry - to show what a modern and progressive Scotland can offer the world.

Measures such as this one, which will support our international economic aims, will be crucial in helping us to deliver our collective ambitions.

I am setting out the principles of the governance architecture today to allow us to rapidly progress progressive initiatives across the whole range of the review.

To repeat though, the reform to the governance structure that I have set out here, as well as supporting initiatives, remain a means to an end. The core purpose of this review is to drive a step change in the performance of our

economy, and to deliver strong, vibrant and inclusive growth. I am confident that those are ambitions that everyone in the chamber can endorse.

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