



Key achievements and lessons for enhancing delivery

June 2022



**ENTERPRISE & SKILLS
STRATEGIC BOARD**

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Chair's Foreword

For the past five years, I have had the privilege of chairing the Enterprise and Skills Strategic Board (ESSB). As it transitions to become the Delivery Board for the National Strategy for Economic Transformation, I thought it important that we set out for our successors the lessons we have learned as well as recording some of our achievements.

The ESSB was established following the Enterprise and Skills Review. It had identified the need to enhance the impact of the enterprise and skills agencies on Scotland's economic performance. Central to that was achieving what Lorne Crerar in his review termed the 'hard alignment' of the agencies. That task was given to the ESSB and our response was the Strategic Plan, '**Working Collaboratively for a Better Scotland**', published in 2018.

The Plan consisted of two parts. First, drawing on evidence about factors on which Scotland needed to focus to improve its economic performance. We identified four 'missions' and asked the agencies to undertake them jointly. These missions reflected the imperative of having the right skills in the workforce, boosting the number of new and growing businesses, and exporting; while the fourth recognised the potentially important role of workplace innovation and of 'fair work' in business performance. Later, the ESSB augmented the missions with a request to the agencies to improve the returns to investment in innovation.

Secondly, the Plan set out two mechanisms for achieving greater alignment and impact: coordination of the agencies' planning processes and ministerial Letters of Guidance, and common approaches to measuring the effects of their activities.

While admirable progress has been made, the job has not been finished. In each of the missions, further progress is required, especially in business creation and growth and in innovation. The ESSB pioneered measurement of the impacts of post-school education and training and put in place the building blocks for beginning to understand the impact of spending on innovation. The Delivery Board should build on this work and make clear to all with an interest in the effective use of taxpayers' money the benefits that flow from the costs that are incurred. That will assist the Delivery Board in understanding where resources are best deployed to obtain the results that Scotland needs.

The ESSB frequently harboured a concern that, while they could undoubtedly have greater impact, the agencies were sometimes being asked to do too much. Ministers typically ask them to do more, rarely to do less and almost never to stop activities. That must lead on occasion to a lack of focus and a dilution of effort. While it is wholly appropriate that the agencies are accountable to ministers, they often find themselves accountable to multiple ministers, which can contribute to uncertainty about priorities. Similarly, the often short tenure and consequent frequent changes of senior civil servants can mean a lack of continuity

for agency executives and boards, which inevitably limits impact. In this context, the fact that the National Strategy for Economic Transformation adopts a ten-year horizon is encouraging. That ought to allow all parties – not just the enterprise and skills agencies but all parts of the Scottish Government – to adopt a long-term perspective and a consistent approach to achieving the objectives. Those benefits are more likely if lines of accountability are clear and consistent and there is greater continuity of senior personnel. I encourage the Delivery Board to pay particular attention to these matters.

An important feature of the ESSB has been the diversity of voices it has convened and the range of opinions to which it has listened. In particular, the ESSB has brought the voice of business to bear on the work of the agencies and of the Scottish Government. An important lesson is that among Industry Leadership Groups, which ESSB carried out a review into, and similar bodies, there are experienced, knowledgeable and committed people who can offer insights as to how economic and business performance can be improved. If it engages with them, the Delivery Board will surely benefit from their advice and the system will benefit from better two-way channels of communication to develop change.

It will be important to continue to promote a culture where change is accepted. Change needs to be understood and welcomed through the whole system structure and developed at every level – stakeholders, agencies and government – so everyone understands their responsibilities to contribute

to plans and work more effectively across the system. Clarity around roles, responsibilities and accountabilities, as well as consistency of communication is a clear message to the Delivery Board.

I would like to thank all of those who have served as members of the ESSB for their dedication and commitment. I have been fortunate to have worked with a group that has willingly given of its time and enabled the enterprise and skills system to benefit from its insights and expertise. They have done so in an open, collaborative and constructive spirit and our successes and impact are down to them.

To the new Delivery Board, we wish you every success. You will be able to build on our work over the last five years. And we stand ready to provide support on the basis of our experiences should you wish it.



Nora Senior
ESSB Chair

1. Introduction

The National Strategy for Economic Transformation (NSET), published on 1 March 2022, set out the actions to transform the Scottish economy over the next 10 years. To ensure the successful implementation of the strategy, the Enterprise and Skills Strategic Board (ESSB) will be replaced by the NSET Delivery Board.

This transition will establish a new model for the delivery of economic development programmes, strengthening the opportunities for public, private and third sectors to work together more cohesively to transform the Scottish economy. This new framework will build on the extensive work undertaken to date by the ESSB, which has been the catalyst for driving a step change in the way enterprise and skills agencies collaborate and align their products and services to enhance, and make it easier, for users to access support. For example, the Find Business Support (FBS) portal has brought together around 500 services from a number of different partners including Scottish Government (SG) to provide a one-stop shop for business support.

Many of the areas which the ESSB focused on as evidenced drivers of economic growth such as skills alignment, innovation and business models and workplace innovation, have been taken forward into NSET. The ESSB helped shape many of the actions within NSET and influenced the thinking around designing a new culture of delivery.

Importantly, the ESSB strengthened engagement with business across the enterprise and skills system in Scotland, providing a vital feedback loop to enhance the learning and support on offer.

To keep up the momentum of change, the NSET Delivery Board can draw heavily on the experience of the ESSB over the past five years. This report sets out the key achievements of the ESSB and identifies the main learnings on delivery to be taken forward if the SG is to successfully transform the way it supports the Scottish economy.

2. Background on the Enterprise and Skills Strategic Board

The ESSB was established in November 2017 following a two-part review of the enterprise and skills landscape which looked at how Scotland's public agencies were delivering enterprise and skills support for Scotland's citizens – young people, women, universities, colleges, training providers, businesses and workers. Following phase one, Ministers were of the view that stronger governance was required and commissioned Prof Lorne Crerar to explore the creation of a single coherent system. Crerar's review **'Proposals on Governance and the Creation of a Strategic Board'**¹ formed the governance workstream of phase two.

Led by Keith Brown, Cabinet Secretary for Economy, Jobs and Fair Work, and supported by a Ministerial Review Group, phase two of the review aimed to:

- significantly improve enterprise and skills support, to help Scotland progress towards achieving the aim of ranking among the top quartile of OECD countries in terms of productivity, equality, wellbeing and sustainability;
- be driven by evidence, to listen to the views of service users, and to put forward proposals that respond to their needs; and
- ensure a simpler and more coherent enterprise and skills support system.

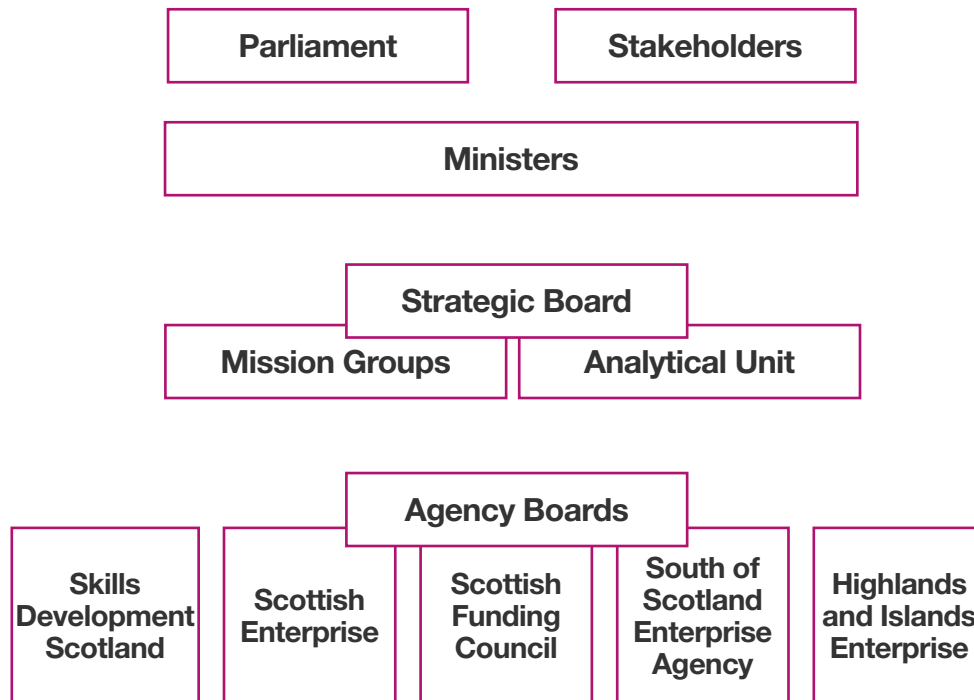
As a result, the ESSB was created to drive alignment and coordinate activities across Scotland's enterprise and skills agencies: Scottish Enterprise (SE), Highlands and Islands Enterprise (HIE), Skills Development Scotland (SDS) and the Scottish Funding Council (SFC). South of Scotland Enterprise (SoSE) joined on its inception on 1 April 2020. Chaired by Nora Senior, Group Executive Chair Weber Shandwick and with membership spanning the agencies and key figures from business, academia, STUC and COSLA, the ESSB aimed 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;
- actively engage with other agencies and bodies who support the economy with a view to increasing alignment and challenge others where collaboration is not happening; and
- deliver wider collective leadership, based on common culture and values, and which inspires and empowers delivery.

¹ [The Importance of Leadership in Governance and Conduct \(www.gov.scot\)](http://www.gov.scot)

2. Background on the Enterprise and Skills Strategic Board

The following diagram illustrates the governance arrangements.



In October 2018 the ESSB published its Strategic Plan **‘Working Collaboratively for a Better Scotland’**² – providing a blue print aimed at driving productivity and inclusive growth. It established four interconnected missions: Business Models and Workplace Innovation; Future Skills; Business Creation and Growth; and Exports. The plan set out 14 initial actions that the ESSB asked the agencies to undertake and that it would support them in progressing. It also highlighted 18 recommendations to Scottish Ministers where it believed there was additional potential that sat out with the ESSB’s immediate remit to approve. The goal was greater collaboration not just among the enterprise and skills agencies themselves, but across the whole system.

The ESSB examined the evidence base and found that innovation was a key driver of productivity. As such a review of innovation was carried out to better understand this complex landscape. Digital adoption was also a theme that was identified as a driver of economic growth – so the ESSB guided the agencies to ensure digital and technology skills were integral to all plans.

2 [Enterprise and Skills Board: strategic plan - gov.scot \(www.gov.scot\)](http://www.gov.scot)

3. Key Achievements

The ESSB has driven a step change in the way not only the enterprise and skills agencies collaborate, but also their connections with industry. For the first time the agencies' business planning processes have been aligned. There has also been much greater engagement among the agency chairs and CEOs and a systems-based approach to tackling emerging challenges such as the UK's exit from the EU and more recently the range of support measures offered during Covid-19. The agencies also worked to align over 100 activities which are now being delivered collaboratively.

The ESSB instigated reviews via sub-groups to look at strategically important areas such as measures to mitigate the labour market impact of Covid-19 and a review of industry leadership groups (ILGs). In addition, the ESSB has made important contributions to a number of other high profile reviews, including the Advisory Group on Economic Recovery (AGER) and the Scottish Funding Council's review of coherent provision and sustainability. For the latter Scott McLarty, ESSB Vice-Chair, sat on the Programme Board.

This section draws out some of the specific achievements since the ESSB was established.

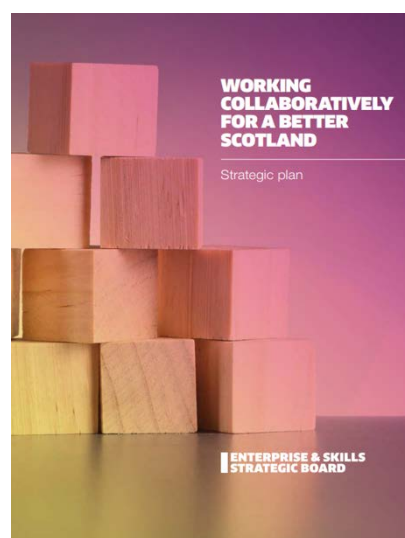
(A) Implementing the ESSB's Strategic Plan

Since 2018 a considerable amount of work has been taken forward to implement the four missions in the ESSB's Strategic Plan. In addition, the ESSB created a framework for the agencies to plan together, with common performance indicators around each of the missions. The Board also scrutinised performance in its Annual Analysis. Where feasible, agency budgets were aligned.

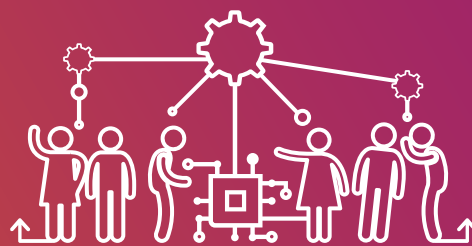
The workstreams within the missions had to adapt to changing circumstances, most notably the pandemic. The ESSB sub-group's work, the Advisory Group on Economic Recovery and the Industry Leadership Group Review all resulted in a number of new actions for the enterprise and skills landscape to take forward.

In order to select its initial missions, the ESSB took a close look at some of the most important matters that affect productivity growth and considered possible gaps in Scotland's economic performance that, if closed, had the potential to boost our productivity.

The ESSB also recognised the central importance of other factors which drive productivity, such as innovation and investment. While not chosen as part of the ESSB's original four missions, these drivers were nevertheless important areas of activity for the enterprise and skills system and the ESSB covered them in other ways, for example, through its work to review the innovation policy landscape and its recommendations for improvements to the monitoring and evaluation of our innovation interventions.



Business Models and Workplace Innovation



Business Models and Workplace Innovation (BMWl) [lead agencies: SDS and SE]

Aim: Harnessing the full potential of progressive business models, work place innovation and Fair Work to enhance productivity, equality, wellbeing and sustainability. This will be achieved by promoting and supporting the development of highly capable businesses with long-term strategic orientations who utilise progressive workplace practices, technology, skilled resources and innovation to remain competitive.

The ESSB listened to a range of evidence as to what impacts on productivity growth, including material from the Fair Work Convention. There was evidence that what goes on in the workplace has a material impact on productivity, with some ways of organising businesses being more conducive to high performance than others. All too often what goes on in the workplace had been treated as off-limits to government and its agencies or of less importance than other factors on which policy makers had concentrated. The BMWl mission sought to address this.

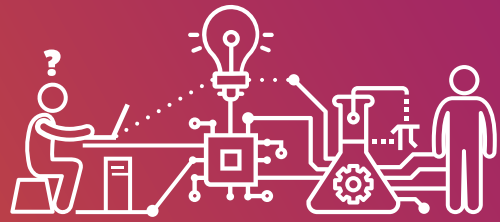
In terms of the evidence, there is a significant link between the quality of firms' management and their productivity. UK management practices rank in the middle of the table by international standards and there is a substantial number of poorly managed firms. In addition, work organisation and job design affect job quality which can impact how well employees skills are used in the workplace. While Scotland fares better on some measures of job quality than others around a third of Scottish establishments report at least some skills under-utilisation.

This mission achieved a considerable amount of progress – and became all the more important due to Covid-19. The actions from the ESSB sub-group's review and AGER fitted closely with this mission. Key achievements include:

- co-ordinating BMWl activity driven by agency-fluid teams. For example, this mission has acted as a pathfinder for the cross-agency Business Support Partnership (BSP) with activity being developed through six work packages (including Find Business Support, data and analytics) governed through a programme board;
- embedding Fair Work Principles across the public sector and increasing conditionality in business support – both in grants and procurement. For example, agencies collaborated on the development of a Fair Work tool targeted at small and medium-size businesses that enables employers to self-assess their Fair Work practices as well as access support to strengthen their approaches; and
- the establishment of data sharing agreements between the business support partners and the transition of SDS and Business Gateway onto SE's Customer Relationship Management (CRM) 2 model has significantly improved data insights and the ability to improve the customer journey.

A new development aligned to this mission which was proposed within AGER will be the creation of the Centre for Workplace Transformation, which was outlined in the 2021-22 Programme for Government, to put Scotland at the forefront of developing progressive workplaces. Industry Leadership Groups will help to roll out the BMWl approach.

Future Skills



Future Skills [lead agencies: SDS and SFC]

Aim: Encouraging and enabling a shift to a more demand-led skills system that better responds to the current and future skills needs of employers and individuals, including expanding work-based learning, and increasingly supports individuals to upskill and reskill. This requires building on our existing strength of a highly qualified workforce to address the under-utilisation of skills, graduate under-employment and growing and persistent skills shortages.

There are a number of developments that affect Scotland's skill needs and its labour supply and will continue to do so. Demographic changes mean Scotland's workforce is getting older and is working for longer. Additionally there are other uncertainties in relation to changes in technologies and the effects of Brexit on the demand for Scotland's exports and the flow of migrant workers. It is difficult to quantify the effects of these changes and it is important to consider how best to prepare for them.

This mission recognised the central role of skilled people in delivering faster growth as well as the contribution that having skills and education can make to equality and wellbeing. In September 2019 the **'Future Skills Action Plan'**³ was published and the mission actions were superseded. Lifelong learning and employer support for training were key areas that were encouraged.

At the start of the pandemic there was a strong concern about the risk of very high unemployment. The longer people are out of work the more their skills deteriorate and the less attractive they become to employers – creating a scarring effect. As such the ESSB

sub-group's review and the AGER identified immediate action to help mitigate the labour market effects from Covid-19, paving the way for the introduction of the Young Person's Guarantee at a time when employment for young people was at a record low. Currently unemployment rates are low, primarily as a result of the coronavirus job retention scheme helping to project jobs. However, as the economy has opened up after Covid-19 restrictions, one consequence has been labour shortages in some parts of the economy. Key achievements for this mission include:

- Of the 294 apprentices who had been made redundant in 2021-22, 155 continued their apprenticeship with an alternative employer and, of those, 111 were supported via the Adopt an Apprentice (AAA) scheme within that year. In 2020-21, 947 apprentices faced redundancy, 350 continued their apprenticeship with an alternative employer and, of those, 235 were supported via the AAA scheme within that year. In 2019-20, 398 apprentices faced redundancy, 174 continued their apprenticeship with an alternative employer and, of those, 117 were supported via the AAA scheme within that year. Note that AAA funding was only made available for Graduate Apprentices in 2020-21, prior to that it was for Modern Apprentices only.
- For the Flexible Workforce Development Fund, 693 employers accessed the Levy Payers' Fund and another 886 employers accessed the Small and Medium Enterprise (SME) Fund (772 via colleges and 114 via The Open University in Scotland) at a total cost of £18m in 2020-21. Since SDS involvement from November 2020 to March 2022, a total of 77 employers accessed

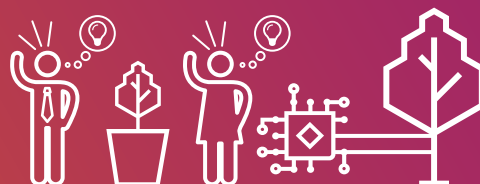
3 [Future skills: action plan - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/documents/2019/09/Future_skills_action_plan.pdf)

3. Key Achievements

training, helping 1,724 individuals. For the 2021-22 financial year, there were 26,295 applications for Individual Training Accounts by the end of February 2022, with 14,185 being approved. Of these, 30% were related to Construction Training, 15% Fitness and Health & Beauty, and 12% Transport. For the full years of 2020-21 and 2019-20 there were 20,459 (7,936 approved) and 28,467 (19,212 approved) applications, respectively.

- SFC invested £6.5m in the University Upskilling Fund in Academic Year 2020-21. Through this fund SFC asked universities to prioritise provision to take account of sectors disproportionately impacted by Covid-19 and EU Exit and to support a just transition to net zero through upskilling and reskilling. The fund supported about 7,000 learners.
- The National Transition Training Fund (NTTF) had three strands: individuals, sectors and tertiary education. SDS supported the individuals and sectors strands funding nearly 3,000 starts in 2020-21, which allowed people across Scotland to develop new and existing skills and achieve work-related qualifications. This ensured they are well placed to take up emerging or high demand jobs within the labour market. On tertiary education, in 2020-21, SFC invested £1.5m to support universities and £2.2m to support colleges deliver short, sharp training opportunities for people to learn in-demand skills. These investments supported 1,000 university students and 1,900 college students.
- In relation to the Young Person's Guarantee: in 2020-21 SFC was allocated up to £10m to invest in college courses to increase the employability skills of those furthest from the job market, and to develop higher-level skills interventions with fast track Higher National Certificates. The funding also covered providing micro credential courses to support a greater number of recent graduates or those in insecure employment, on furlough or who were unemployed. Colleges supported almost 2,500 students across 240 courses.
- Using technology and innovation, SDS not only maintained but enhanced delivery of its core services, whilst also rapidly designing and deploying new offers to help people at risk.
- A new Covid-19 helpline was launched May 2020 with a focus on helping individuals regarding Partnership Action for Continuing Employment, employment and education, receiving over 4,300 calls in 2020-21 with 93% of them related to employment.
- Protecting existing apprentices was a priority for SDS during challenging times for the labour market. However, enhanced support, including the Apprentice Employer Grant (AEG) also helped create new apprenticeship opportunities, with £19.1m in grants paid out to support more than 3,500 new Modern and Graduate Apprenticeship starts in 2020-21.

Business Creation and Growth



Business Creation and Growth [lead agencies: HIE, SE & SOSE]

Aim: Promoting business creation and growth through helping to create a nation of dynamic and high achieving entrepreneurs, with a focus on inclusivity (women, rural, minority ethnic groups and others) and providing a new structure of support for business scale-up, as well as targeting global market opportunities, capitalising on Scotland's unique assets, and using innovation as a key driver of productivity growth.

Business creation can encourage productivity growth as new firms entering a market increases competition. Between 2018 and 2021, 80,340 businesses were created in Scotland – in spite of Covid-19. However Scotland's business start-up rate is significantly behind the UK and OECD comparator countries – and has been for decades. Scotland also lags behind the UK in terms of high growth enterprises as a share of the business base. Although the position has improved since the ESSB first looked at this, in 2020 10.1% of UK businesses were high-growth firms compared with 9.7% in Scotland⁴. In addition, women are less likely than men to start businesses and the ESSB heard concerns that not enough Scottish firms grow quickly or to scale.

The Business Creation and Growth mission aimed to address this challenge. For example, as a response to Covid-19, HIE delivered the Young Company Capital Investment Grant Scheme with Business Gateway to support SMEs under five years old to focus on sustainability, growth and adaptation/diversification arising from Covid-19 (around £1m awarded to 67 SMEs in 2020-21). In

addition HIE supported companies to take advantage of digital technologies through the Digital Enablement Grant Scheme, a £2.2m scheme, initially delivered with HIE funding and enhanced with SG funding.

This mission's initial focus and principal achievement has been the creation of Find Business Support (FBS) delivered through the BSP, as the first port of call for all public sector business support, launched in December 2019.

Over 90 Scottish public sector organisations publish information on the support they offer to businesses on the FBS website - including Local Authorities. Since launch, the FBS service has been accessed more than 1.5m times by Scottish businesses, with 900,000 of these visits resulting in referrals to partners for support. During the Covid-19 pandemic, FBS became the primary tool for SG to communicate to businesses and the 'go to' place for businesses to find the latest information and guidance. At the height of the Covid-19 pandemic, the FBS website served 400,000 customers per month.

Although Covid-19 activity has reduced, the FBS website continues in popularity and currently serves an average of 35,000 customers per week, making it one of the Scottish public sector's most popular websites.

The BSP continues to deliver a number of cross-partner workstreams including collaborating on the co-design of new products and services to ensure no duplication of offer to customers; and how to better capture and use data across partner organisations. This mission is now being taken forward under the Entrepreneurial People and Culture programme in NSET.

⁴ In 2016 the figures were 10.5% for the UK and 9.6% for Scotland

Exports



Exports [lead agencies: SE, HIE and SG]

Aim: Increasing export growth through both the number of exporting businesses and the value of exports – sustaining and growing the value of Scotland’s trade with new and emerging markets by better understanding product, services and in-country demand, and increase the number of exporters through broader and deeper reach at regional levels.

Scotland’s international exports have increased in recent years, driven by growth to non-EU countries. Scotland’s trade, including with the rest of the UK, is equivalent to around 50% of its national income, placing it alongside other small European countries. But the ESSB also heard evidence that, excluding the UK, international exports are around 20% of national income, less than comparator nations. Like other nations, the majority of international exports are concentrated around a relatively small number of large companies and markets.

The products of innovative firms tend to attract international buyers and the increased competition of multiple markets keeps these firms focussed on improvement. They also have access to more innovative practices and bigger markets. The ESSB recognised both the importance of exports to growth and the scope for Scotland to improve its performance. Its recommendations fed into the SG’s work on exports, which culminated in the publication in May 2019 of the exports strategy **‘Scotland: A Trading Nation’**⁵, which the ESSB fully supported. The strategy contained some 107 actions and went wider than the mission. Key achievements for the Export Mission through

‘Scotland: A Trading Nation’ are:

- Scottish Development International (SDI) in-market specialists have developed over 60 market opportunities plans by sector which are aligned with the international capabilities of our sectors and companies.
- In partnership with the Scottish Chambers of Commerce, the International Trade Partnership 2 programme has delivered trade missions with £3.3m of export sales and a pipeline of £8m more.
- Scottish Business Network funding doubled their London membership to 200.
- SDI Export Finance lead engaged 49 companies in 2021-22.
- Since Sept 2020, over 2,000 companies attended SDI’s International e-commerce Programme. Building on the success of this programme, in autumn 2021 SDI launched their e-commerce accelerator programme with the first cohort focused on the consumer industries. The seven participating companies estimated potential forecast sales totalling between £2.805m to £4.25m over 3 years.
- A technology sector export plan was published in March with life sciences and renewables plans also being developed in 2022. A hydrogen plan will follow in 2025.
- The Brand Scotland toolkit is operational and a multiagency Scotland Is Now business pillar marketing group is collaborating on international marketing efforts.
- All activations for the Dubai EXPO showcasing Scottish expertise in Space,

5 [Scotland: a trading nation - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/consultations-policies/trade/exports-strategy-2019/)

Culture, Health & Wellbeing and ‘Race to Net Zero’ were delivered. The first two activations on Space & Culture were attended by 286 guests and generated 61 media articles, which were shared 383 times and viewed by 2.7 million people.

- The GlobalScot network has grown to over 1,000 members in the key export markets and is on track to reach 1,500 by March 2023. Over 800 exporters have access to the Global Scot platform and can engage direct with the network for advice.
- The Trade Envoy network has grown from four members to eleven, providing strategic advice, connections and insights in important markets.
- The overseas network of trade specialists has been realigned to priority markets and 15 new specialists recruited. These additional specialists, along with other SG-funded specialists have generated sales of £362m over the past three financial years at a Return On Investment of £1=£39 sales.
- Between October 2018 and the Covid-19 lockdown of March 2020 Ivan McKee, Minister for Business, Trade, Tourism and Enterprise, visited 16 international markets and subsequently participated in numerous digital engagements during 2021.
- Given restrictions on international travel, SDI developed a range of successful digital events to facilitate engagement with markets and buyers. Between Apr-Dec 2020, SDI delivered 101 virtual trade events across sectors to an audience of 5,000.

(B) ESSB Sub-Group Report on ‘Measures to Mitigate the Labour Market Impacts from COVID-19’⁶



In May 2020, the ESSB pivoted its focus to support the immediate challenges faced by the Scottish economy as a result of the Covid-19 pandemic. This work looked at how the enterprise and skills agencies and the SG could address the impacts on the labour market and focussed on groups who might be disproportionately disadvantaged including: young people, women, disabled people and ethnic minorities. Importance was placed on alignment with the ESSB’s missions and the SG’s wider strategic objectives, in particular, the transition towards a net zero economy and embedding Fair Work principles in the labour market.

6 [Coronavirus \(COVID-19\): measures to mitigate the labour market impacts - report - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/consultations-petitions-and-statements/2020/07/01/coronavirus-covid-19-measures-to-mitigate-the-labour-market-impacts-report/)

3. Key Achievements

A short-life sub-group of the ESSB was established to look at what practical actions could be implemented quickly to mitigate the labour market impacts of the pandemic. The group was co-chaired by Nora Senior and Frank Mitchell (Chair of SDS) and consisted of a mixture of ESSB members and business representatives. Particular attention was given to how young people and those who were about to enter the labour market for the first time could be supported into employment. The immediate actions identified by the sub-group included measures that would help prevent a 'lost generation' by mitigating the expected rise in Scottish unemployment with interventions targeted both at individuals and businesses.

(C) Review of Industry Leadership Groups⁷



Industry Leadership Groups (ILGs) are a long-established route to engaging industry sectors in Scotland in constructive dialogue with the SG and its agencies, about shared actions to boost sectoral growth and the economy as a whole, aligned with Scotland's Economic Strategy. ILGs are well positioned to reach businesses not touched by the usual agency or Government channels and can articulate sectoral asks and offers where government input adds value. They therefore play an important role in building industry-government-agency relationships to ensure policy and funding is reflective of industry need and that businesses are well positioned to exploit opportunities from SG investment.

Nora Senior led a review into ILGs in 2020 to identify good practice and offer recommendations to ensure ILGs continue providing leadership in responding to future industry challenges and opportunities. While the structure and ways of working differ across all ILGs, the recommendations from the review were considered by all as they refined and refreshed their working arrangements before and during the pandemic.

A key recommendation in the Review was that ILGs should collaborate more through greater collective engagement and sharing of experience. To progress this recommendation Nora Senior led the establishment of an ILG Chairs Roundtable which she co-chaired alongside Ivan McKee, Minister for Business, Trade, Tourism and Enterprise and which involves the industry chair for all currently active ILGs (with scope to involve other sectoral leaders as appropriate). ILG Chairs have indicated the establishment of the group is a

⁷ [Industry Leadership Groups review - gov.scot \(www.gov.scot\)](https://www.gov.scot/industry-leadership-groups-review)

valuable addition to the landscape and are keen that it develops as an action focused forum.

The ILG Roundtable was a key group in facilitating industry engagement and input to the development of the NSET with two in-depth workshops held in summer and autumn 2021 and each sector providing written submissions which were summarised in the evidence paper accompanying the NSET publication.

The ILG Roundtable meets quarterly and in early 2022 agreed priority work areas which were well aligned with the NSET. One of these actions is to establish an information repository to enable the sectoral leaders to share information, strategies and insights as well as providing a platform to facilitate collaboration on issues of shared interest. This repository will be launched imminently and over time the expectation is that the platform can evolve to facilitate data sharing.

The ILG Roundtable are prioritising work around developing new market opportunities with associated supply chain resilience as well as around net zero. As part of this they will pilot the use of Task and Finish (T&F) groups as a way of enabling a number of ILGs and other key stakeholders to collaborate around well-defined pieces of work with clear outputs which can then be reported back to the ILG Roundtable.

ILGs are also beginning to take steps to share experience in influencing and successfully securing funding from competitive sources, particularly through UK Government, and considering where and how ILGs could work together to maximise funding secured in Scotland.

(D) Review of the Innovation Funding Landscape

In September 2021, a high level review of innovation support in Scotland was undertaken in light of the complex landscape, to identify short and long term options for reform. At the time of the review it was estimated that there were around 500 initiatives supporting innovation in Scotland. The key themes that emerged from this review included the fact that:

- there is no overarching strategy for innovation in Scotland;
- there is a substantial number of small funds adding to the complexity of the landscape;
- the funding system is inflexible; and
- most innovation funds exist in isolation and do not link up with other measures of support.

Much greater collaboration is required to build on the work undertaken to date in simplifying the support on offer. It also means designing support around the user.

Some emerging short-term options for reforming innovation support include:

- simplify access routes and signposting for businesses to access the right funding at the right time;
- merge funds currently disaggregated by sector or by size of support available and shift to a mission-based approach; and
- funds to aid collaboration between business and academia.

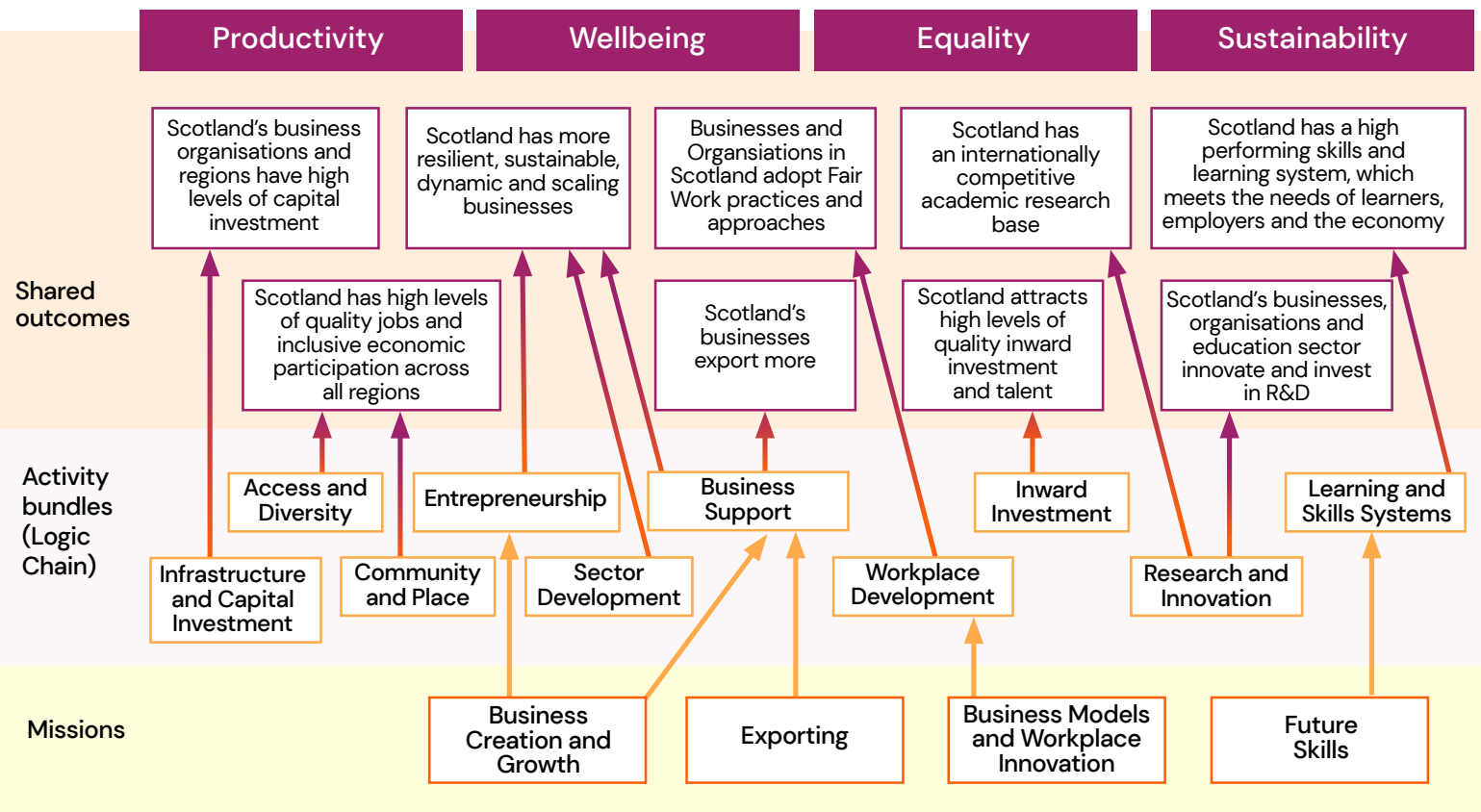
3. Key Achievements

The longer-term options include a central challenge fund which any organisation can bid into to secure challenge funding or a centrally co-ordinated fund that allocated whole life support to open innovation consortia.

(E) ESSB Performance Framework

The ESSB developed a performance framework to measure and monitor the enterprise and skills system’s progress to meeting its national objectives. The framework was designed to be strategic and not operational, in line with the ESSB’s remit.

The approach followed best practice in using logic models to link activities through to outcomes i.e. if we do action x then we expect outcome y to follow – or put another way if we spend £80m to deliver 30,000 apprenticeships we expect that to influence a range of positive labour market outcomes, for individuals and the economy – and which we can try to evidence. The logic model is summarised below. It shows linkage of the shared outcomes, activity bundles and missions in the context of the four overarching ambitions of the ESSB.



The approach comprised a number of component parts in order to evidence those linkages. Broadly:

- Agency performance and accountability reporting focuses on the actions agencies undertake and what outputs are delivered as a result of that.
- Evaluations reflect what has changed as a result of those outputs i.e. how successful the actions have been in influencing the desired outcome. The agencies, SG and the ESSB Analytical Unit are engaged in evaluation activity – almost always as part of a collaborative endeavour to ensure adding value and reducing duplication.
- Data, such as that used by the National Performance Framework (NPF) or from wider national statistics, provides context about the overall health of the economy and whether agency actions might be having the desired impact.
- Additionally, the Performance Framework utilises a number of approaches to explore this evidence with the ESSB. For example, the Annual Analysis to track Scotland's performance against the data, to weave in wider evidence from evaluation activity and to add context and interpretation.
- The ESSB also concentrated its research endeavours at those areas of highest spend in the system (£1.9bn out of the £2.4bn) to enhance our evidence of the impact of this activity. The ESSB had a strong desire to see the consideration of the return on investment for public funds.

The ESSB's Analytical Unit produced a range of outputs to help inform the ESSB on the effectiveness and impact of the investment in the enterprise and skills system.

Annual Analysis



To inform the ESSB's strategy day held each year, an annual analysis report was produced to assess Scotland's economic performance to see if progress is being made in moving Scotland to the first quartile of OECD countries for productivity, equality, wellbeing and sustainability. The reports also drew together the latest evidence on the impact of policies across the enterprise and skills system.

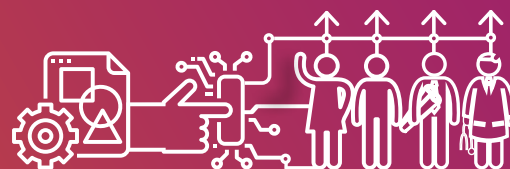
The most recent quarterly update to the ESSB showed improvement of Scotland's performance on indicators associated with:

- school leaver qualifications;
- skill shortage vacancies;
- skills under-utilisation;
- economic participation; and
- gender pay gap.

But the framework also showed that in 2020, the percentage of all registered businesses which were high growth, was down to 1% from the 2019 rate of 1.1%. And the proportion of employees who have reported that they are part of a collective agreement which affects their pay and conditions had decreased from 38.1% in 2019 to 33.7% in 2020.⁸ The nature of economic indicators for Scotland is such that there are often significant delays between the reporting period for statistics and when they are published. As such ESSB has always taken a holistic approach when considering Scotland's performance – and drawing on a mix of high-level performance indicators, testimony from experts and bespoke analysis and evaluation.

⁸ Source: [Labour Force Survey](#)

Evaluations



Education and Skills Impact Framework

Each year the public sector makes a substantial investment in human capital, including investing in apprenticeships, and teaching and learning in colleges and universities. The ESSB has championed a greater understanding of the impact of this post-school education, and so the post-school Education and Skills Impact Framework (ESIF) was launched in 2019.

ESIF seeks to estimate some of the benefits of this investment to students, businesses, and the whole economy. The study will provide evidence on the return on investment from higher education qualifications, further education qualifications, and Modern Apprenticeships (MAs), from the perspective of the individual, government and, for MAs, the employer. This is the first time a project of this scale has been undertaken, partially enabled by new data availability which links education and HMRC tax and benefit data. This is a collaborative project, driven forward by colleagues in SDS, the SFC and the SG, as well as the ESSB's Analytical Unit.

From the outset, it was evident that wage, employment and productivity returns to the government, employers and individuals are not the only returns gained from investment in education and skills. Therefore, we have taken a holistic approach to this analysis and recognised the importance of wider benefits through a social return on investment (SROI) analysis.

Results from the first stage provide estimates for student earnings and employment premia, as a result of undertaking education or training. Overall the results are positive; but there is a complex picture and the cross-agency project team is continuing to process the results. The return on investment analysis with a full set of results is expected to be published in Summer 2022.

Innovation Monitoring and Evaluation

In March 2019, the ESSB approved a proposal to review the monitoring and evaluation (M&E) of impacts of agency innovation spend in Scotland, to put in place a common framework across agencies that will allow for impacts of innovation support to be understood and compared. An initial review of M&E processes concluded that there is limited evidence upon which to determine the benefits of SG Funding of Agency Activities. Independent consultant EKOS was then commissioned to produce a report⁹ to identify gaps in the current data collection framework and make recommendations.

Drawing heavily on the EKOS report, consultations were undertaken with multiple stakeholders to review current practice and refine suggested measures. Several, external agencies who were deemed to be exemplars conducting M&E were also consulted to draw on best practice and establish 'must haves' for good M&E practice. Key 'must haves' included:

- consistent and long-term data collection;
- clear and well developed impact and policy objective models;

⁹ [Innovation data baseline: final report - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/documents/2020/04/Innovation_data_baseline_final_report.pdf)

3. Key Achievements

- SRO responsibility and active management; and
- transparent budgeting and resource allocation.

Following the consultation phase, five recommendations were developed in collaboration with relevant agencies, which were:

- developing agreed definitions of productivity impacts (building on the HIE CRM);
- commissioning a survey of university M&E data sources;
- adopting innovative data capture mechanisms (building on the SE fair work pilot);
- exploring the potential for alternative approaches to M&E management; and
- linking agency and university innovation activities to the wider BSP data and analytics work.

The options suggested as a result of the innovation funding review have significant potential to reduce the complexity of the landscape and improve the ease of access to funding, which in turn can greatly improve efficiency of Scotland's innovation ecosystem as a whole. Moreover, the measures suggested as part of the innovation M&E work, if adopted, can help to ensure that SG has access to robust quality data relating to innovation. This will allow conclusions to be drawn about what works, to help ensure that funding is allocated to programmes that have proven to have the greatest impact. This work will directly inform the M&E approach adopted by the SG's forthcoming Innovation Strategy.

Research



Scotland's international productivity performance has remained broadly unchanged over the past few decades despite closing the gap on the UK economy. Research was commissioned by the ESSB to deepen its understanding of the key factors driving Scotland's underperformance and specifically to consider what the implications are for the enterprise and skills system.

The research looked at the period immediately after the financial crisis (2009-17), and compared Scotland with regions that had similar GDP/Capita at the start of the period, but saw much greater increases than Scotland over the duration of that period. During the period, Scotland's productivity gap with the top performing comparator region was roughly 30%, and close to half of this gap was due to differences in capital stock.

Over the time period, Scotland's growth in labour productivity was 1.04% (sixth highest amongst the nine comparator regions). National Institute of Economic and Social Research analysis attributes roughly 60% of this growth to capital, and 40% from total factor productivity (TFP). Conversely, labour quality was found to have had no noticeable impact on productivity growth over the time period.

Analysis of TFP growth finds that there is a direct impact of Research and Development (R&D) intensity, which is found to be stronger and more economically important in Scotland than any of the comparator regions. Additionally, improvements in human capital were found to promote Scotland's absorption of forefront knowledge by less advanced firms, reinforcing the notion that human capital plays an important role as a productivity-enabling factor.

4. Key Lessons Learned

The extensive work over the past five years of the ESSB has provided valuable insights and lessons for how the system can have greater impact in the future. This strikes at the heart of the New Culture of Delivery programme in the NSET and the future role of the NSET Delivery Board:



While the ESSB was successful in driving greater alignment and collaboration across the enterprise and skills system, the ESSB's limited powers have prevented far greater progress being made. For example, the ESSB did not have powers to compel agencies to implement its recommendations. In areas such as skills alignment this meant that progress was too slow in implementing the necessary changes to enhance the performance of the system. Furthermore, the ESSB had no powers to address underperformance within the system as it played no role in setting the budget or resourcing levels for the agencies. SG and Ministers need to be bolder if agencies are not delivering. Clarity of lead agency or organisation and strong accountability are essential to success.

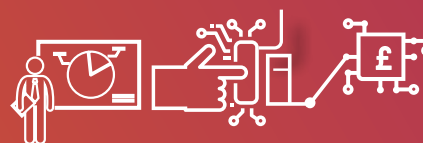


Fewer priority outcomes with a clear focus on execution is better than a wealth of smaller actions. Over the past five years a number of reviews and strategies resulted in a large volume of actions falling to the agencies to deliver. There was a lack of join-up between these actions, as they were often identified in isolation, and inflexible financial arrangements – particularly strict criteria around multi-year funding – hampered the successful delivery of actions. This was at a time when agencies were

under pressure from the UK's exit from the EU and the pandemic.



Greater financial flexibility would help prevent some of the current perverse incentives across the system which drive the need to spend budgets before the year-end rather than the investments which will generate the greatest returns to the Scottish economy. There is an opportunity to utilise any underspends to support growth areas in the Scottish economy or enhance R&D investment.



Greater consistency in monitoring and evaluation, with a step change needed. At present the level and quality of monitoring and evaluation are mixed and generally limited. In addition, businesses might be receiving help from various agencies but each agency will only hold their information on the interventions. It would be far better to have a holistic approach with shared data and evaluation of delivery. NSET specifically recognises the need for consistent evaluation to drive continuous improvement and greater understanding of the return on investment and assessing the impact of support which will guide future spending decisions.



Data sharing and analysis across the system to enable agencies to better tailor and target their products and services to meet user needs. This links in to the NSET action for common datasets and systems.



Clearer mechanism for sharing resource. Although there was some success with agency fluid teams in the Business Models and Workplace Innovation mission, more areas could have benefitted from this approach. Moving forward we should look for more opportunities to share resources and expertise as part of a genuine Team Scotland approach. For example might we have one enterprise agency leading on supporting business innovation?



Build on the work underway by the Business Support Partnership to align and simplify the support on offer to business. No new support services should be created by any part of the system without first being run through a process to establish (1) whether something already exists in this space, (2) what opportunities exist for collaboration. A core deliverable for the Partnership is a cross-agency CRM. This is a major undertaking but would enable a much more effective understanding of system wide activity and enable the system to:

- use data that helps more effectively target our interventions;
- measure the impact of our interventions; and
- better predict the optimum levels of support.



Greater policy consistency within SG is needed together with clearer Letters of Guidance – which are annual letters from Ministers to the agencies setting out the strategic priorities. At present the agencies feed into a number of different policy areas across the SG and report to different Ministers for different purposes. This can sometimes result in competing priorities when it comes to resources. In addition the

Letters of Guidance for each of the agencies vary considerably. The use of Outcome Agreements instead of Letters of Guidance might be a good step forward. NSET recognised the need to ensure strategic guidance to agencies aligns with the priorities and delivers the programmes of action set out in the strategy.



There needs to be a clear engagement path to industry which goes beyond the business representative organisations. The ESSB has made progress linking in with the Industry Leadership Groups and this needs to be built on going forward if ambition within NSET for a Team Scotland approach to delivering the strategy is to be realised. There needs to be an open line of communication and knowledge exchange between the NSET Delivery Board and the ILGs.



SG structures are too complicated and result in mixed messages to agencies around targets and priorities for delivery. There is an opportunity to reorganise SG structures so they align with the NSET programmes and the new Accountability Framework will clearly articulate the roles and responsibilities of those delivering NSET. In addition, the movement of senior staff within SG on a fairly regular basis does not allow for consistency of planning and delivery is hampered by loss of ‘corporate memory’. Appropriate succession planning would help to alleviate this.



There is still a strong need to improve productivity levels. Two enablers of this are digital adoption and embedding R&D into businesses. These must be addressed by Government otherwise productivity will not shift at a fast enough pace.



Economic growth is a complex process relying on a large number of factors. When agencies are planning and adopting policies it would be beneficial for them to consider areas such as transport and housing – as these are often challenges which are impacting on local economic development growth.

ENTERPRISE & SKILLS STRATEGIC BOARD

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