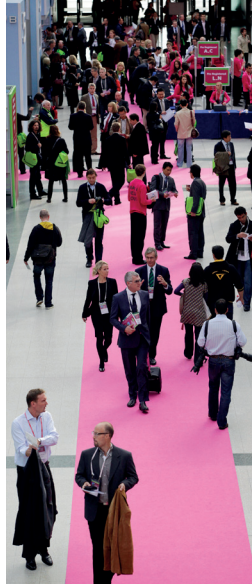
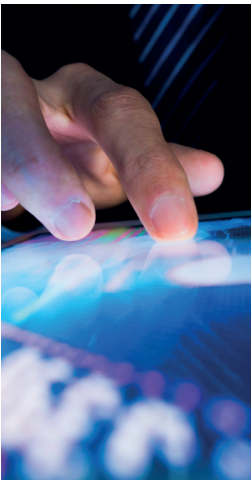




# ENTERPRISE AND SKILLS REVIEW:

## SCOTTISH GOVERNMENT RESPONSE TO PROFESSOR CRERAR'S REPORT



Phase 1 of the Enterprise and Skills Review 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.

To work toward this aim, a key recommendation within the Phase 1 report was:

*“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.”*

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

Support for a Strategic Board was considerable within responses to Phase 1 of the review, but we also recognise that there were some concerns about how it would impact on our agencies, particularly HIE and the SFC. We fully 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 Professor Lorne Crerar – Chair of Highland and Islands Enterprise – was asked 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.

We would like to thank Professor Crerar for his considered and detailed paper, and for the great personal commitment and objectivity he has demonstrated in driving this work forward.

This paper represents a formal Scottish Government response to Professor Crerar, and highlights how we are addressing each of his recommendations in turn. In doing so we have been conscious that the enterprise and skills system is fundamental to the delivery of our economic ambitions, particularly around productivity growth, but also for sustainability, inclusion and wellbeing. In order to achieve these ambitions, our agencies must align behind a common purpose and be driven by strong leadership.

Productivity growth under this Scottish Government has been strong compared to the rest of the UK. Nevertheless, our long-term ambition is for Scotland to rank among the leaders of advanced economies for productivity – some of whom remain significantly ahead of us.

Productivity matters because it drives the overall standard of living in our economy and the competitiveness of our businesses. As part of our commitment to Fair Work and Inclusive Growth, a step change in productivity would deliver an opportunity to see higher wages, greater competitiveness and increased quality of life for everyone across Scotland.

The respective agencies exist to create the conditions to increase productivity, improve wellbeing, and grow and to help deliver the skills that Scotland's people and economy need. Our approach to governance must therefore 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.

The table below provides detail of each of Professor Crerar's proposals and recommendations.

Crerar proposals and recommendations	SG response
<p>SB should operate with four key aims:</p> <ul style="list-style-type: none"> <li>• <b>Improve the overall performance</b> 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.</li> <li>• Through <b>collective responsibility</b> ensure hard alignment between Agencies to drive improvement in Scottish productivity and better support business and users of the skills system.</li> <li>• Hold Agencies to account for <b>performance</b> against agreed measures, both collectively and individually through new, formal lines of accountability.</li> <li>• To <b>actively engage</b> with other agencies and bodies who support the economy with a view to increasing alignment and challenging others where collaboration is not happening.</li> </ul>	<p><b>Agree</b> – All Aims and an <b>Additional Aim (as suggested by Bob Keiller, Chair of SE)</b></p> <p><i>“To deliver wider collective leadership, based on common culture and values, and which inspires and empowers delivery.”</i></p> <p>This final aim recognises the need for a step-change in the culture not just within our agencies but also with those they engage with.</p> <p>This must take the shape of fundamental, meaningful collaboration – reflected in day to day joint working at every level as articulated in Professor Crerar's report.</p>
<p>SB will develop <b>The Strategic Plan</b> in line with Guidance from Ministers and it would ultimately be signed off by Ministers.</p>	<p><b>Agree</b></p>
<p>Through the plan, the SB will establish a <b>common performance and measurement framework</b> to ensure the agreed outcomes are delivered by each Agency, collectively and individually.</p>	<p><b>Agree</b></p>
<p>Agencies would develop <b>annual Operating Plans</b>, approved by their Lead Ministers which would set out how they contribute to the delivery of the aims in the Strategic Plan.</p>	<p><b>Agree</b></p>

Crerar proposals and recommendations	SG response
SB will advise and inform Ministers each year on how budgets align with proposed strategic direction. SB <b>have no responsibility for allocating funding.</b>	<b><u>Agree</u></b>
<b>Collaboration</b> will be a core objective at all levels of the Agencies.	<b><u>Agree</u></b>
The SB will <b>engage</b> with stakeholders to understand the challenges facing them and the markets they serve,	<b><u>Agree</u></b>
The SB must have a clear and direct authority to ensure that individual Chairs hold their Agency and their Chief Executive to account in meeting the aims of the SB.	<b><u>Agree</u></b>
An early decision must be made on whether the <b>SB should be chaired by a Minister or by an Independent Chair.</b>	<b><u>Agree</u></b> – Ministers have decided the Strategic Board will be led by an <b><u>Independent Chair</u></b> who brings with them a respected track record and understanding of our economic challenges.
There must be <b>representation from each Agency on the SB</b> , primarily through the Chairs, who are empowered to exercise the levers of authority within their Agency.	<b><u>Agree</u></b> – Each Agency Chair will be a member of the SB and when the new south of Scotland body has been created they will be represented on the SB.
SB membership could also include <b>another non-executive member of that Agency.</b>	<b><u>Partly Agree</u></b> – In principle we recognise the value in having close Strategic Board and Agency Board alignment but owing to practical limitations on board size it would be unwieldy if each agency had an additional board member represented. It is likely that board membership will be drawn more widely, although this would not preclude an Agency Board member being on the Strategic Board where they are clearly the right person for the role.
Membership of the SB should include a small number of <b>non-executive members.</b>	<b><u>Agree</u></b> – The Board will include 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.

Crerar proposals and recommendations	SG response
<b>Chief Executives</b> from Agencies would attend the Board as observers.	<b>Agree</b>
Chairs of Agency Boards will <b>have a new primary focus</b> to share collective responsibility to deliver the SB Plan.	<b>Agree</b> - Agency chairs will now have a new responsibility to the Strategic Board in addition to their statutory responsibilities. This will be confirmed in new guidance from the Scottish Government to Agency Chairs.
Performance against the aims and hoped for outcomes would be a key aspect of <b>Chair appraisals in future.</b>	<b>Agree</b> - The appraisal process for Chairs should be strengthened to reflect this new additional responsibility and to ensure that collective responsibility and driving collaboration are central considerations to performance.
<b>Agency Boards as “Delivery Boards”.</b> The functions, responsibilities and composition of these Delivery Boards should be continuously reviewed, alongside their existing regulatory and legal obligations, to ensure that they can effectively deliver the SB plan and meet the needs of Ministers, in addition to the expertise required for their Agency agenda.	<b>Disagree</b> - Ministers understand that the terminology of Delivery Boards was purely for the drafting of Professor Crerar’s paper. The Scottish Government will NOT bring forward legislation to affect the name, structures or autonomy of the existing Agency Boards at this time. <b>The boards, of HIE, the SFC, SE and SDS 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.</b> <b>Agree</b> - The need to keep this under review if this approach does not produce the changes the Scottish Economy required.
<b>Chief Executives</b> should not be members of the SB, but will have an additional key focus to their role, namely embedding a culture of collaboration at all levels of their Agency.	<b>Agree</b> - We recognise that Chief Executives have a critical role to play. They will be supported in their drive to increase the culture of collaboration through the SB.
The SB and the infrastructure which supports it are able to foster and reflect the <b>different missions and objectives of the Agencies</b> while bringing more coherence and consistency to the way they are governed.	<b>Agree</b> - There will be no change to the legislative basis of the Agencies, ensuring that the different missions and objectives of the Agencies continue while providing for increased collaboration and alignment around shared ambition to enhance economic performance.

Crerar proposals and recommendations	SG response
<p>There must be simple, but <b>flexible, structures for Agencies to collaborate</b> on areas which have been identified as priorities and where lead responsibilities are agreed in advance.</p>	<p><b>Agree</b> – We will work with the Implementation Board and the Chief Executives to ensure the structures supporting the SB are flexible and fit for purpose.</p>
<p>Any <b>secretariat</b> and/or analytical capacity to support the SB must be adequately resourced to allow it to perform its core functions of supporting the development of a Strategic Plan and an associated Common Performance Management framework.</p>	<p><b>Agree</b> – Scottish Ministers will work with the Agencies to consider how best this will be delivered.</p>
<p>SG should monitor and evaluate performance against agreed measurable outcomes.</p>	<p><b>Agree</b> – Scottish Ministers will continue to appraise each agency's performance. In addition, the SB through the Analytics Unit will be able to evidence and review performance against agreed measures.</p>



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