Briefing for the Public Petitions Committee

Petition Number: PE1639

Main Petitioner: Maureen Macmillan

Subject: Enterprise agency boards

Calls on the Scottish Parliament to urge the Scottish Government to reverse its decision to create a single Scotland-wide board for enterprise and skills and instead retain separate boards for each enterprise agency, including the Highlands and Islands Enterprise.

Background – Highlands and Islands Enterprise (HIE)

Highlands and Islands Enterprise (HIE) leads regional growth and development in the north and west of Scotland, including all of Scotland’s inhabited islands. Established in 1965 as the Highlands and Islands Development Board, HIE now employs around 300 people across its two administrative offices and eight locally-focused area teams. Its grant-in-aid budget is £79 million in 2016/17, with £67m coming directly from the Scottish Government. In addition, HIE has been awarded separate funding for next generation broadband infrastructure and national initiatives led by HIE for the Scottish Government, including Wave Energy Scotland, Community Broadband Scotland and the Scottish Land Fund (in partnership with Big Lottery Scotland).

HIE’s priorities for supporting sustainable and inclusive economic growth are:

- Supporting businesses and social enterprises to shape and realise their growth aspirations;
- Strengthening communities and fragile areas;
- Developing growth sectors, particularly distinctive regional opportunities;
- Creating the conditions for a competitive and low carbon region.

Building our Future (HIE operating plan 2016-19)

HIE’s main support for businesses is through account management. Account managers provide one-to-one support, advice and guidance to the management teams of client businesses. Currently 580 businesses and social
and community enterprises are account managed across the HIE region, with support including access to leadership programmes, financial support, as well as sales, marketing, innovation and exporting advice.

HIE also works directly with fragile and remote communities to address social, economic and infrastructure issues. Around 50 ‘fragile’ communities are currently account managed by HIE. The organisation is also responsible for delivering Community Broadband Scotland and the Scottish Land Fund across the whole of Scotland.

Previous Cabinet responsibility for HIE, together with Scottish Enterprise, lay with the Cabinet Secretary for Finance, Employment and Sustainable Growth (previously John Swinney MSP). Responsibility for HIE is now with the Cabinet Secretary for Rural Economy and Connectivity (Fergus Ewing MSP), and Scottish Enterprise now lies within the remit of the Cabinet Secretary for the Economy, Jobs and Fair Work (Keith Brown MSP).

**HIE governance**

The current relationship between the Scottish Government and HIE is set out in the [Scottish Government/HIE Framework document](http://www.hie.co.uk/about-hie/). This details the broad framework within which HIE should operate and defines key roles and responsibilities which underpin the relationship between HIE and the Government. HIE receives strategic guidance from the Scottish Government each year in the form of a letter (see, for example, the [2014/15 letter](http://www.hie.co.uk/about-hie/who-we-are/)).

The HIE Board has overall responsibility for ensuring the body fulfils its statutory duties and the aims and objectives set out by the Scottish Government. Current board membership is detailed here: [http://www.hie.co.uk/about-hie/who-we-are/board-members/default.html](http://www.hie.co.uk/about-hie/who-we-are/board-members/default.html).

**Legislation underpinning the enterprise bodies**

Scottish Enterprise and Highlands and Islands Enterprise were established under the [Enterprise and New Towns (Scotland) Act 1990](http://www.hie.co.uk/about-hie/who-we-are/). Further information on both bodies is contained within these documents: Management Statement for Scottish Enterprise and Management Statement for Highlands and Islands Enterprise. The 1990 Act says: “The quorum of each body, and the arrangements for its meetings, shall be such as the body in question may determine.” [Schedule 1](http://www.hie.co.uk/about-hie/who-we-are/) of the Act sets out the membership requirements of each board.
The Enterprise and Skills Review

During her ‘Taking Scotland Forward’ speech in May 2016 the First Minister announced an end-to-end review of:

“the roles, responsibilities and relationships of our enterprise, development and skills agencies, covering the full functions of Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and the Scottish Funding Council, to ensure that all of our public agencies are delivering the joined up support that our young people, universities, colleges and businesses need” (Scottish Government 2016b).

The Scottish Government believes the Scottish economy requires a “transformational step change” across a range of outcomes, including productivity and innovation. Therefore, the Review’s terms of reference highlight the Government’s desire for the enterprise and skills bodies to be fully contributing to the aspirations set out in its Economic Strategy.

Phase 1 timings and methods

Phase 1 of the Review took place over summer 2016 with a formal call for evidence running between 15 Jul 2016 and 15 Aug 2016. Over 320 responses were received, with 126 being published on the Scottish Government’s consultation hub website. A summary of consultation responses was published by the Scottish Government in September.

In addition to the formal call for evidence, the Scottish Government commissioned design and strategy agency, Snook, to speak to service users across Scotland. 63 individuals participated in a series of workshops and interviews.

The Scottish Government also commissioned two research reports looking at comparable skills and business support systems in other countries:


Phase 1 report and findings

Phase one review findings were published on the 25th October with the report identifying current strengths of the enterprise and skills agencies, as well as highlighting challenges to be overcome.

Future actions, to be developed during Phase 2 of the review, are grouped under the five following themes:
• One Scotland: stronger governance of a coherent system
• National and local enterprise and skills delivery
• An open and international economy
• Innovation
• Skills provision and economic success

Within the first theme the following action was suggested:

“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.”

However, the Review also recognised:

“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.”

Scotland-wide statutory board

Since publication of the Phase 1 report, questions have arisen about the implications of the statutory board proposal for existing boards. It was unclear initially from the report whether or not the Scotland-wide board would replace or add to existing boards.

A BBC news article published on 10 November 2016 highlighted that, through the creation of a single national enterprise and skills board, individual agency boards would be abolished. At that time, “the boards [had] not been formally notified of this but [had] been told in private meetings”.

Further clarity was provided by Deputy First Minister and Cabinet Secretary for Education and Skills, John Swinney MSP, during Portfolio Questions on 23 November 2016:

“Phase 1 of the enterprise and skills review recommended the creation of a new single strategic Scotland-wide statutory board to co-ordinate the activities of Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and the Scottish Further and Higher Education Funding Council. Our intention is that, once established, the overarching board will replace individual agency boards while retaining the separate legal status of each of the bodies.”
In response to a Parliamentary Question, the Cabinet Secretary for Economy, Jobs and Fair Work, Keith Brown MSP, stated:

“As part of the work being taken forward in Phase two of the Enterprise and Skills Review we will consider the formation, format and remit of the new Scotland-wide Statutory Board. This will include what needs to be put in place in relation to budgets, appraisal, monitoring and evaluation of a range of areas including performance measures of HIE and their operational plans to ensure that HIE continues to be able to deliver an excellent service to the Highlands and Islands.”

Response to proposals

Although the proposal potentially impacts the boards of all four skills and enterprise bodies, most press coverage, and political controversy, has centred on the HIE and Scottish Funding Council boards. For example, the Press and Journal newspaper has been actively campaigning to keep the HIE board, with its “Keep HIE Local” campaign. In a comment piece for the P&J in November, Andrew Liddle wrote: “This reform by the Scottish Government totally goes against the founding principles of the agency. It re-establishes the 'one-size-fits-all' approach that failed to deliver in the past. It takes the strategic decision-making away from HIE and will re-establish the direct government control, which I, along with many others, feel is the main purpose of this reform.”

Parliament’s response

The Education and Skills Committee raised the issue of the HIE board with Cabinet Secretary for Economy, Jobs and Fair Work during a committee session on the 7th December 2016. Committee member, Tavish Scott MSP, specifically questioned how submissions received during the Phase 1 consultation led to the decision to abolish HIE’s board. The Economy, Jobs and Fair Work Committee also looked at the Phase 1 report during a session on the 1st November.

There have been two recent debates in the Scottish Parliament on the issue of individual boards being replaced by a Scotland-wide statutory board, the first on 18th January on the following motion:

“That the Parliament opposes the Scottish Government’s plans to abolish the board of Highlands and Islands Enterprise (HIE); recognises the vital work that HIE carries out for businesses and communities across the Highlands and Islands, and calls on the Scottish Government to reverse this decision and ensure that the HIE
board continues to take all strategic, operational and budgetary decisions.”

And the second (with a particular focus on the potential abolition of the SFC board), on the 1\textsuperscript{st} March 2017, on the following motion:

“\textquote{That the Parliament recognises the key role and legal status of the current Scottish Funding Council board with regard to the financial and strategic management of Scotland’s colleges and universities; is deeply concerned by the Scottish Government’s proposals to abolish the board, given the limited evidence and consultation on this proposal; notes the proposals in The Crerar Review, which recommend that the Scottish Government should retain the current board; demands that the Scottish Funding Council retains its important functions beyond enterprise and skills, and therefore believes that the Scottish Funding Council must not just be a “delivery board” but also have the powers to act on its own initiative and to challenge government as well as to challenge further and higher education institutions.}”

On both occasions, the Scottish Government lost the Parliamentary vote on its proposals to replace boards with a single Scotland-wide board.

\textbf{The Crerar Report}

Chairman of HIE, Professor Lorne Crerar, was asked by the Cabinet Secretary for Economy, Jobs and Fair Work to lead discussions with the other agency chairs and provide views and recommendations on the principles and proposals for a Scotland-wide strategic board. His report, ‘\textit{Proposals on Governance and the Creation of a Strategic Board}’, was published on the 23 February.

Crerar’s main recommendation appears to be that, should a Scotland-wide strategic board be established, individual boards are retained, albeit with more of an \textit{operational} focus than previously. The report sets out the possible relationship between the Strategic Board and the individual ‘Delivery Boards’, each of which should retain their Chairs. Agency chief executives will be accountable to the Strategic Board, through their Chairs, who in turn will be accountable to the Strategic Board Chair (who may, or may not be, a Government minister).

At the time of writing (9 March 2017) the Scottish Government had not responded to Prof. Crerar’s recommendations. However, during the debate on the SFC board on 1\textsuperscript{st} March, Minister for Further Education, Higher Education and Science, Shirley-Anne Somerville, stated:

\textquote{Liz Smith (MSP) will be aware that the Government is reflecting on the detail of the proposals that Professor Crerar has outlined and the views of the ministerial review group and that have been expressed by wider...}
interests in taking forward the development of the strategic board. We will continue to listen to members across the chamber through constructive discussion about the way forward, and Mr Brown has said that he will make a statement to Parliament on our next steps in the coming weeks."

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Senior Researcher

9 March 2017

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