FINANCE AND CONSTITUTION COMMITTEE

SOUTH OF SCOTLAND ENTERPRISE BILL FINANCIAL MEMORANDUM SUBMISSION FROM SCOTTISH BORDERS COUNCIL

SUBMISSION FROM: Scottish Borders Council

This response from Scottish Borders Council includes some general observations on the South of Scotland Enterprise Bill and Financial Memorandum, before providing answers to the questions in the Committee’s questionnaire.

General

As noted in the response to the Consultation on a new Enterprise Agency for the South of Scotland (June 2018), and in written evidence to the Scottish Parliament’s Rural Economy and Connectivity Committee, Scottish Borders Council strongly supports the creation of the South of Scotland Enterprise Agency.

Simply put, Scottish Borders Council believes that, working with partners, the new Agency will be instrumental in fulfilling our ambition for the South of Scotland to be transformed into one of the most vibrant rural economies in Europe. This means a strong, diversified, sustainable economy, built upon cohesive and enterprising communities, rich in economic and social opportunity, where a varied and skilled workforce enjoys pay and conditions commensurate with the best in Scotland. Entrepreneurship and innovation should be commonplace, with young people confidently looking forward to high quality educational, training and employment prospects as stepping stones to realising their full potential in the South of Scotland. The region needs to increase its economic output and the wealth retained within the area; and in looking outward, to maximise the contribution it makes to Scotland’s National Ambition for Inclusive Economic Growth.

The particular combination of challenges experienced in the South of Scotland is well documented in the June 2018 Consultation response referred to above and can be found HERE. South of Scotland Enterprise is crucial to assist in meeting the significant economic and social challenges of our distinctive rural region. To do so, it is essential that the Agency has the necessary capacity and resources.

As acknowledged in the Financial Memorandum, the document does not represent a final budgetary position for the new Agency, but ‘gives a best estimate of set-up costs and operating costs.’ There are two issues that the Council considers vital to the Committee’s assessment of requirements in set up, operation and in relation to overall budget allocation to the new body. These are:-

1. **Methodology**

The Memorandum proposes that the new body receives a per capita equivalent to the allocation made to Highlands and Islands Enterprise (HIE).
The Council supports this approach as a basis for funding the new Agency, believing it establishes a sound principle against which to benchmark the calculation of resources. South of Scotland Enterprise will have a similar remit to HIE, and will be responsible for delivering those services across a predominantly rural area. That area comprises one seventh of Scotland’s total land area with, 24 people per km², the most sparsely populated area outside the Highlands & Islands. By comparison, neighbouring council areas of South Ayrshire, South Lanarkshire have population densities of 92 and 180 person per km² respectively. Similarly, economic performance in the South of Scotland lags other parts of Scotland with Gross Value Added (GVA) per head in the South of Scotland of £18,977, equating to 76.5% of the national average (£24,800 for Scotland). (ONS - 2016)

In spite of the similarity of challenges experienced in the South of Scotland to those encountered in the Highlands & Islands, it should also be recognised that the degree and particular combination of challenges varies. For example, the GVA of the Highlands & Islands Enterprise area is £22,599, 16% greater than the South of Scotland figure. The range of potential costs identified in the Memorandum, to some extent, recognises this reality. Thus, while there is considerable merit in the basic HIE methodology, as the Agency becomes established and its work develops, funding arrangements should be capable of adapting to the particular challenges of the South of Scotland. This responsiveness will be crucial if a fully effective placed-based approach to driving inclusive economic growth is to be realised.

2. Additionality

Dumfries and Galloway Council, Scottish Borders Council, Scottish Enterprise, Skills Development Scotland, together with the local colleges and universities, are all involved in driving economic and social development and growth in the South of Scotland. The significance of the new Agency is ‘additionality’; the Agency will connect efforts around a regional agenda, providing structure, focus and momentum, thereby augmenting the efforts of national and local partners in a way which has the potential to be truly transformative. In the past decade, the South of Scotland region has missed out on the focal point that an agency such as HIE brings. The Bill brings the prospect of the Agency into being, but one, importantly, ‘built in, and for’ the South of Scotland, which will address the specific challenges of economic development as they apply to this large rural region.

It follows that the resource provision which makes the work of the Agency possible is additional to existing resources, which have not always proved equal to the level of challenge experienced in the South of Scotland.

Consultation

1. Did you take part in any consultation exercise preceding the Bill and, if so, did you comment on the financial assumptions made?
Yes, Scottish Borders Council submitted a detailed response to the consultation exercise, which can be found at the above link.

The Council’s consultation response (submitted on 7 June 2018) referred in a number of answers to the need for adequate resources to permit long-term objectives to be delivered, but pre-dating the publication of the Scottish Government Bill did not set out detailed financial assumptions.

2. If applicable, do you believe your comments on the financial assumptions have been accurately reflected in the FM?

As noted in our general comments above, the Council considers that the funding levels for HIE provides a sound basis on which to initiate and develop funding for a South of Scotland Enterprise Agency.

3. Did you have sufficient time to contribute to the consultation exercise?

Yes, the Council had sufficient time to respond to the Scottish Government’s consultation exercise. However, the time permitted to respond to this Call for Evidence has proved exceptionally challenging. Issuing the Call on Tuesday 11 December 2018 permitted only 13 clear working days before the deadline. We were grateful for the grant of an extension to 10 January 2019. Notwithstanding, while an additional 3 days is welcome, the short turn-around has compelled the use of emergency powers processes to ensure sign off of a response to the Call and has compelled a less detailed response than the Council would wish.

Costs

4. If the Bill has any financial implications for your organisation, do you believe that they have been accurately reflected in the FM? If not, please provide details.

At paragraphs 56 of the Memorandum, it is noted that:

‘The Bill does not mandate that any specific functions are transferred from the two South of Scotland local authorities (Dumfries and Galloway Council and Scottish Borders Council) to the new body. If any transfer of functions happens in the future, this could incur financial consequences to the local authorities through the local government settlement, and as such would be agreed through usual practice in discussion with local authorities and the Convention of Scottish Local Authorities (COSLA).’

The Council concurs and notes that transfer of assets and the detailed implications of any such transfer is yet to be determined.

Pension arrangements for Agency staff will need to be worked out. As noted, at paragraph 41 of the Memorandum, ‘some staff from existing public bodies may transfer to the new body under TUPE and COSOP [but] it is not possible at this stage to determine how many staff will be in scope of transfer, or what specific provisions will apply to their circumstances.’ Subject to what staff transfers (if any) are required, the Council would expect staff to be granted access

- to the Civil Service pension scheme, or
- through admitted body status to the Local Government Pension Scheme.
In the latter case, the Agency would need to fund any attendant costs including, for example, a bond to protect the Local Government Pension Scheme if admitted body status is to be pursued.

5. Do you consider that the estimated costs and savings set out in the FM are reasonable and accurate?

The position noted in the Memorandum is reasonable, though, as observed, the detail is yet to be worked out.

6. If applicable, are you content that your organisation can meet any financial costs that it might incur as a result of the Bill? If not, how do you think these costs should be met?

Please note our response to question 5.

7. Does the FM accurately reflect the margins of uncertainty associated with the Bill’s estimated costs and with the timescales over which they would be expected to arise?

Yes, though again, please note our response to question 5.

Wider Issues

8. Do you believe that the FM reasonably captures any costs associated with the Bill? If not, which other costs might be incurred and by whom?

Yes. However, please note our comments in the remainder of this response.

9. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation? If so, is it possible to quantify these costs?

The Council does not foresee that subordinate legislation will be required and is unable to assess any costs associated with such legislation. As the Memorandum acknowledges, and as noted in our general comments, there is a significant margin of uncertainty in the estimates of costs, and future funding assessments will need to be sufficiently flexible to respond to contingencies.