RURAL ECONOMY AND CONNECTIVITY COMMITTEE
SOUTH OF SCOTLAND ENTERPRISE BILL
SUBMISSION FROM DUMFRIES AND GALLOWAY COUNCIL

Do you agree that a South of Scotland Enterprise agency should be created (answer required)?
Please provide an explanation for your answer.

- Yes - I support the creation of a South of Scotland Enterprise agency

Dumfries and Galloway Council with its partners including the South of Scotland Alliance have driven this agenda and therefore we agree with the ambition. Our Council strongly supports both the principle and the statutory timetable laid out by Scottish Government for the establishment of the South of Scotland Enterprise through the legislative process. The Council is wholly committed to working with Scottish Government and partners to deliver a new way to support the South of Scotland’s economy.

Dumfries and Galloway Council’s ambition for the South of Scotland is to see it transformed into one of the most vibrant and economically rural economies in the world. There is a need for a resilient, future proofed private and third sector; a skilled and adaptable workforce; a range of career opportunities for young and older people which encourage people to stay and/ or relocate; a South of Scotland which is a net contributor to the Scottish and UK economy.

Our ambitions are that we will see 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 equal with the best in Scotland. Entrepreneurship and innovation will be the norm with young people confidently looking forward to educational, training and employment prospects as stepping stones to reaching their full potential in the South of Scotland. The region needs to both 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. We seek to deliver on the priorities of Scotland’s Economic Strategy in a way which works for and delivers for the South of Scotland.

To properly articulate the Council’s ambition for the South of Scotland, it is important to understand our present challenges. These include:

a) A land area comprising one seventh of Scotland’s total land area with, 24 people per km2, the most sparsely populated area outside of the Highlands & Islands (2018)

b) Low wealth creation (Gross Value Added (GVA) per head in the South of Scotland is £19,793 equating to 79.5% of the national average (£24,876 for Scotland (ONS - 2016))
c) Low Average Weekly Wages – the median weekly wage for all workers in the South of Scotland is roughly £467 (£466.5 in D&G and £467.8 in Scottish Borders (SB) – 29th and 30th respectively amongst Local Authorities across Scotland). This is significantly below the national median of £547.3. (2017)

d) Outwards-migration of young people and shrinking workforce - in 2017 the proportion of people of working age 16-64 was 58% in the South of Scotland compared to 64% for Scotland.

e) Relatively high proportions of its workforce in:
   • Agriculture and fishing – 9% in the South while its 1.7% nationally
   • Manufacturing – 10.3 % in the South, while its 7.8% nationally (2017)

f) Relatively low proportions in growth sectors such as:
   • Banking, Finance and Insurance – 12.9% in the South while it is 15.8% nationally (2017)

g) Significant connectivity issues in relation to transport and digital infrastructure - SiMD data shows that the South of Scotland is particularly Access Deprived, with 37% of SoS datazones, in Scotland’s 20% most access deprived.

The Council sees there is a fundamental need to address these challenges. This is a relentless emphasis on geography and place recognising that inclusive economic growth can only be generated within the towns and rural communities of the South of Scotland through a new approach. The challenges are different, the economy is different and, as Scottish Government’s creates this new Agency attests the solution will be different.

The Council strongly supports the establishment of the new Enterprise Agency and welcomes Scottish Government’s call for leadership and its emphasis on ‘place’. Through listening to the needs of the South and designing solutions here is the best way to deliver on shared ambitions. The new Agency will empower ‘the South of Scotland to drive forward its own future, a future created in the South, of the South and for the South’.

This is not to suggest that the South of Scotland should proceed unaided. The contributions of national players remain essential. But, it reinforces the need for bespoke remedies designed to meet the specific challenges encountered in the South of Scotland. The leadership of Dumfries and Galloway Council and Scottish Borders Council will be crucial in providing direction and purposefulness to the Agency’s efforts.

Finally, it is important to recognise that it takes time to deliver strategic goals, especially where these relate to entrenched structural factors. We must be willing to take a long-term view of what we are trying to achieve in the South of Scotland and what it will take in resources and collective effort to deliver it.
Our ambition for the South of Scotland to be one of the most exciting and vibrant rural economies in the world, with a growing core of innovative businesses and a renewed culture of entrepreneurship. We want to see the South of Scotland maximise its potential with our region making an increasingly significant contribution to national economy. We see by creating a new Agency for the South of Scotland that the Scottish Government has signalled both its ambition, and its acceptance of the particularity of the region’s challenges.

To deliver this, the South of Scotland must improve its performance against a number of key measures, subverting our biggest challenges, and seeking to turn them into attributes. We must transform the following areas:

- **Gross Value Added** – GVA per worker in the South of Scotland is 20% below the Scottish average, demonstrating that there is a significant productivity gap in the South of Scotland. A key objective should be to close the productivity gap to the national average. Adding 20% on to the GVA would contribute over £750 million a year to the South’s economy.

- **Average Weekly Wages** – The average wage in the South of Scotland is £567.9, £70.3 per below the national average (2017). The average worker in the South of Scotland is earns less than £3,600 per annum than the Scottish average. The number of employees earning below the Living Wage is more than 1 in 4, while across Scotland it is less than 1 in 5. To drive inclusive growth across the South wage levels my rise in the area significantly by increasing higher value jobs and ensuring the people have the tools to win those jobs. At the same time we must ensure more innovation and greater economic diversification.

- **A More Diversified Economy** – an example 24% of businesses in the South of Scotland are in the Agriculture, Forestry and Fishing industry (in comparison to 8% across the whole of Scotland) whereas 8% of businesses in the South of Scotland are in Professional, Scientific, and Technical industries while nationally this represents 16% of the business base (2017). This over reliance particularly on agriculture leaves the South open to economic shocks, and particularly vulnerable to BREXIT.

- **Low Investment in Research & Development** – in the South of Scotland, business investment per head is £50, while the national average is almost four times higher at £198 (2016). To increase productivity and the number of higher value jobs, there is a need for businesses to develop new products and processes by investing in research & development.

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2. Annual Survey of Hours and Earnings (2017), Workplace Analysis, accessed through [http://www.nomisweb.co.uk](http://www.nomisweb.co.uk)
3. Figures from Office of the Chief Economic Adviser, Scottish Government
4. UK Business Counts (2017), Local Units by Industry and employment size band, accessed through [http://www.nomisweb.co.uk](http://www.nomisweb.co.uk)
• Ageing and Declining Population – over the years it has been the norm for young people to leave the South of Scotland in order to pursue educational opportunities and further their careers outside the area. This trend is forecast to continue: while the Scottish population is predicted to increase by 5.3% by 2041, the South of Scotland population is expected to fall by 1.9%. This is despite an 80% rise in the number of over 75s in the Scottish Borders and a 68% rise of over 75s in Dumfries & Galloway over the same period.

• Skills – The working age population in the Dumfries and Galloway is forecast to fall by 12.1% and by 5.6% in Scottish Borders\(^6\). Critically, the new Agency will need to break the cycle which sees an outflow of well-educated young people from the South of Scotland, leaving the area light on the skilled workforce which would attract more specialised higher paying businesses. Working with partners the Agency needs to develop more effective employment pipelines within the South of Scotland which create a natural route through education and training to high value employment. The effect is that businesses will need to be supported in the South of Scotland and attracted into the region to provide the appropriate employment opportunities. Recent closures in a range of industries are proving the need to consider retraining and re-equipping older workers particularly in the light of the demographic challenges faced by the South of Scotland.

• Inward investment - Much more needs to be done to raise the profile of the area as great place to live, work and invest. The Agency will need to work with SDI to build an evidence base from which action can be pursued to maximise inward investment into the South of Scotland.

World class digital and transport connectivity are conduits which the Agency will maximise to ensure market competitiveness for the South of Scotland to its own and other markets. As a net-contributor to the Scottish and UK economies, we will be building on our natural resources, promoting place and ensuring a skilled adaptable workforce who are able to enable a resilient and future proofed private and third sector. This resilience will be reflected in strong, vocal business and community sectors and our thriving communities. The South of Scotland has important strengths, and a key task of the Agency will to develop and exploit these strengths sustainability. They include: -

1. The South of Scotland’s rural landscape and environment is one of our biggest assets. The quality of our natural environment and the quality of our landscape being key drivers behind people choosing to live and work in the area and an important ‘pull factor’ in attracting business investment and visitors to the area. This is supported by excellent access to open space, from lochs to sweeping valleys, rolling hills and dramatic coast line from the North Sea to the Atlantic.

2. Rich natural resources – marine and coastal; freshwater; land including fisheries, agriculture, forestry; and renewable energy.

3. Galloway Forest Park is a forest park operated by Forestry Commission Scotland, principally covering woodland in Dumfries and Galloway. It is claimed to be the largest forest in the UK. The park, established in 1947, covers 774 square kilometres (299 sq mi)\[1\] and receives over 800,000 visitors per year. The three visitor centres at Glen Trool, Kirroughtree, and Clatteringshaws receive around 150,000 each year. The forest includes economically valuable woodland, producing 500,000 tons of timber per year. This has also spawned the Galloway Glens Landscape Partnership and UNESCO Biosphere, all of economic benefit to the South of Scotland as a whole.

4. Cohesive communities, and a good quality of life, based upon an attractive built heritage in towns, villages and a high quality environment, ardent social and cultural ties, and a sense of belonging.

5. Our school children have high levels of educational attainment with over 62% of school leavers obtaining at least an SCQF level 6 in the South of Scotland, while the Scottish Average is 61.7\%\[7\]. However, the make-up of the economy and its predominantly low skill base has meant that less than one-quarter of the working age population is qualified to degree level reflecting the outflow of our young people who need to leave the area to obtain higher qualifications and better paid jobs.

6. Sectoral strengths in agriculture, forestry, fisheries and land management; food and drink; tourism; and manufacturing.

7. A strong and established identity as a tourism destination with strong ‘branding’ at the individual place level.

8. Parts of the region are well served by existing transport infrastructure (including the Borders Railway, Western Rail connections from Glasgow and Edinburgh to Manchester and London, Glasgow-Dumfries-Newcastle line, Glasgow to Stranraer line, the A74M corridor and the Cairnryan Ferry Service) these connections enhance existing and potential linkages with wider economic development activity with, for example, the Edinburgh City Deal, North East Deal, and Northern Powerhouse.

9. Further and Higher Education provision that can be built upon to further develop the skill base of the local economy.

10. Long history of joint working across the South of Scotland (manifested in the highly successful EU funded South of Scotland Objective 2 programme (2000-2006) and the South of Scotland Alliance established in 2003).

11. A strong tradition and successful record of partnership working within the Scottish Borders that has been established through the community planning process.

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12. An established culture of self-owned businesses with strong community links – 18% of 16-64-year olds in employment in the South of Scotland are self-employed, over 6% higher than for Scotland as a whole.\(^8\)

13. Annually the regions turn-over is £4.8 Billion, 25% derives from food and drink;

14. The region has exceeded its Fibre broadband services uptake with over 40% achieved. This continues to grow.

15. Our businesses are taking advantage of the digital economy, utilising the Scottish Government Funded Digital Boost since 2015 to grow their online presence. Businesses have taken advantage of the support as well as a 12 workshops, however the Business Gateway has also provided a large number of digital ‘surgeries’ tailored for a business’s specific needs to a further 93 businesses and this provides the direction for Social media and business savvy digital workshops at the cutting edge. Two large symposiums over the past two years have included both an Amazon and Google workshop.

16. The region has a large number of ambitious Social Enterprises such as the Hub, Moat Brae (the National Centre for Children’s Literature), Wigtown Book Festival Company, and the Stove in Dumfries, the Cree Town initiative, The Whithorn Trust, The Millennium Centre, The Kirkcudbright Development Trust and many more who are making significant economic impacts in their areas by increasing skills, and creating a range of opportunities that economically benefit the region. Such growth Enterprises will benefit significantly from accessing the same level of advice that are currently offered to Businesses through Business Gateway and Scottish Enterprise. There is currently significant support for more business-related support from this sector of the economy.

17. Creative industries, the newly opened Kirkcudbright Galleries and Cultural Tourism

18. Dumfries and Galloway Council is a partner in the Borderlands Deal with Scottish Borders, Cumbria, Carlisle City and Northumbria Council Councils. This Deal will provide a 10-year investment in significant Economic Development interventions.

In short, our strengths of community-based businesses, resilient people, emerging energy, construction and logistics sectors. Traditional sectors including the creative and innovative industries. We have a unique tourism offer which is predicated both on our outstanding natural environment and our unique heritage. The Agency can be a conduit to investment and inclusive growth across the region to build capacity and resilience with business, communities, other agencies and local government. Initiatives that promise for increasing skills for our businesses and people have already been established through the Government’s interim arrangements for the new agency, the South of Scotland Economic Partnership (SoSEP). The SoSEP funded Digital Hub and Spoke for the two South of Scotland Colleges provides both businesses and industries (eg care, renewables and technology) specific Science, Technology, Engineering and Mathematics (STEM) training locally. Using existing public, private or third sector facilities tailored for the local needs

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\(^8\) Annual Population Survey (2017), Self-employed, employees and non-permanent employment, accessed through http://www.nomisweb.co.uk
which have been found through the local business engagement. The aim being to see a relevant approach to initiatives such as Developing Young Workforce initiatives. SoSEP has also supported local initiatives such as the Annan Local Solutions Team and associated activities.

It is vital that the South of Scotland’s current economic challenges are recognised as different to other areas. The combination of economic, geographic and demographic circumstances in the South of Scotland presents a singular challenge. Recent job losses in Annan, Langholm, Lockerbie, and Dumfries show how fragile rural economies are to the disruptive nature of our changing work, in particular when small economies are dependent on a major sector. There is a growing need to create local resilience and competitiveness that has a ‘bottom up approach’ to strengthen and empower such communities. The Agency will need to design its approach to build on and respond to the factors,

1. Low productivity, low wages and low growth

We have exciting and innovative businesses, but our economy is dominated by traditional rural/primary sectors, wholesale/retail, manufacturing, health and public sector activity, and heavily reliant upon high levels of part-time and seasonal working. Some of the traditional sectors are fragile and in decline putting pressure on the resilience of small rural communities. As a result, the region has lower levels of productivity and income – the average salaries are over £3,600 per worker lower than Scotland\(^9\). We also have a higher proportion of employment in managerial and senior occupations (8.8% in SoS compared to 8.5% nationally) indicative of the reliance on the public sector for employment (27.7% of people in the South are employed in Public Administration, Education and Health) (2017)\(^10\).

Land-based activities are an important part of the South of Scotland’s economy, but much more needs to be done to exploit significant diversification opportunities and strengthen our rural economy to ensure it is dynamic and resilient in a post-BREXIT landscape.

2. Demography and our working population

Like many areas in the UK we have an ageing population, but, as noted in answer to question 3, the demographic trend in the South of Scotland is among the most challenging in the country. This is compounded with an outflow of educated and skilled young people. Our school children have high levels of educational attainment, but the make-up of the economy and the lack of opportunity drive an outflow of young people resulting in an economy with a predominantly low skill base. In turn, the diminished skills base of our population negatively impacts inward investment and wage levels. Retaining both our young and older people and growing the number of working age people is vital to growing our economy. Investments in the energy and manufacturing sector, alongside the growth of other prominent businesses located in the region, will create demand for new highly-skilled jobs. However a significant skills gap must be overcome in order to make the most of once-in-a generation investments. We need to develop effective employment pipelines matching

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\(^9\) Annual Survey of Hours and Earnings (2017), workplace analysis, accessed through [http://www.nomisweb.co.uk](http://www.nomisweb.co.uk)

training and skills development with job availability, and we need to attract businesses with high skills needs into the South of Scotland.

3. Geography, Connectivity and Infrastructure

Despite some parts of the region being well-linked to existing transport infrastructure, much greater swaths are geographically remote from commercial centres and the transport infrastructure connecting the region. Internal and external transport networks are highly variable. This is a physical barrier to growing our economy.

The UK Government has set targets to deliver superfast broadband coverage across 95% of the UK by 2017. However, DSSB figures up to the end of 2017 showed around 91.5% of the residents and businesses in the South of Scotland are connected to a fibre enabled cabinet. This however doesn’t mean that users are able to access superfast download speed due to issues such as distance from the cabinet. Similarly, with respect to mobile coverage, around 25% of the land mass of the South of Scotland doesn’t have reliable mobile coverage to make a phone call (2017).

4. Inequality and the challenge of inclusive growth

Too many people in the South of Scotland are caught in a trap, where their lack of resources, lack of access to training and skills improvement, lack of housing security and lack of mobility conspire to limit their prospects and the contribution they can make to the region. The area is not growing the jobs needed to retain or attract working age families with children to the South of Scotland, giving rise to a weaker housing market, and compounding the challenges of low productivity, low wages and low growth. As noted above, these problems then further accentuate our difficulties in drawing into the area higher growth sectors which pay higher wages. Reducing numbers of children also have public funding implications for the area, potentially further weakening its offer as a residential and employment destination. Developing approaches to address the interrelationship of poverty, housing, adult learning, and employment is a core principle of inclusive growth and will be a central task for the Agency.

5. BREXIT

In contrast to the structural challenges referred to above, BREXIT is an external challenge and opportunity. Its implications are likely to be no less far-reaching: in terms of access to markets, labour, and funding; with Agriculture, Fishing and Exporters significantly affected. While accurate forecasting remains difficult, the extent of potential impacts is highlighted by the agriculture sector. The South of Scotland accounts for around 20% of Scotland’s agricultural output, with farmers in the South of Scotland particularly reliant on EU funding through the Common Agricultural Policy (CAP). In 2016, EU funding from the CAP to the farming industry in the South of Scotland amounted to £98,580,000 out of an overall

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11 Figures from DSSB
Scottish total of £422,772,000 or 23% of the Scottish total\textsuperscript{13}. It remains to be seen how this crucial part of the economy will be supported beyond the UK Government pledge to maintain CAP funding levels to the end of the Parliament (expected to be in 2022).

6. Primary industries and economic opportunity.

As noted above, the shape of a new post-BREXIT agricultural policy post will have a powerful impact upon the South of Scotland’s prospects. The impacts are potentially far-reaching in terms of access to markets, labour, and funding. Agriculture, Fishing and Exporters will be significantly affected. While accurate forecasting remains difficult, the extent of potential impacts is highlighted by the agriculture sector. The South of Scotland accounts for around 20% of Scotland’s agricultural output, with farmers in the South of Scotland particularly reliant on EU funding through the Common Agricultural Policy (CAP). The area has a unique opportunity to bring community, business, public sector and natural capital together, developing an integrated approach to land use based upon an understanding of the whole landscape. At a time, when debate in England contemplates the Department of Environment Food and Rural Affairs’ 25 year plan and the re-orienting of ‘public money for public goods’, the South of Scotland should aim to shape thinking in Scotland – to demonstrate new ways of working, to assess various ways of replacing farming subsidies and to explore opportunities for a more holistic approach to land use.

Whilst there is a proposed Shared Prosperity Fund, it should be cognisant of the potential impact BREXIT will have on trade but also the opportunities of fiscal development and targeting specific support for new added value products through professionalising and making competitive hitherto subsidised and controlled fragile primary industries. There is opportunity for producing local added value niche market products and building new and more resilient supply chains. This will take a more long-term view of the value of the rural economy as a net contributor and taking advantage of many of the local initiatives such as the UNESCO Biosphere, Galloway Glens Landscape Partnership, Rhins Pathway, Southern Upland Way, Whithorn Way and other initiatives that consider the environment, appropriate development, cultural heritage and economic growth and higher skills as a full offer.

Within its operating and resource limits, Dumfries and Galloway Economic Development Service (including Business Gateway) has delivered effective support in conjunction with partners to local businesses by means of financial support, support for events and tourism, provision and development of business premises, and through supporting skills development and employability.

The Dumfries and Galloway Business Gateway team performs well against the majority of national targets We are ranked the highest council for the number of Business Gateway supported start-ups at 25.8 which is higher than the Scottish average of 16.6 the Local Government performance report 2016-2017.

\textsuperscript{13} DEFRA, UK CAP Payment Database data for 2016, accessed through \url{http://cap-payments.defra.gov.uk}
National agencies such as Scottish Enterprise, Skills Development Scotland, Scottish Funding Council and VisitScotland provide important products and services that are important to the South of Scotland. It is vital that the new South of Scotland Agency continues to work closely with them to deliver economic development services in the same way that Highlands and Islands Enterprise (HIE) provides essential support in collaboration with its partners. We also have identified areas that HIE leads on such as Community Development, Community Energy, Wave and tidal energy which may be important that the new Agency collaborates.

Scottish Enterprise through Scottish Development International provides inward investment and trade promotion services that are important for the South of Scotland. There will be a need to ensure that the South of Scotland ‘offer’ developed by the new Agency is fully promoted by SDI. This also applies to VisitScotland and its national tourism programmes. Scottish Enterprise also provides a range of national industrial sectoral support of relevance to the South of Scotland and in the future these will need to be closely linked into the work of the new Agency. Additionally, it’s Account Managed Companies with branches both within the South of Scotland and in other parts of Scotland and the UK will need to be linked to the work of the new Agency.

In relation to skills development, Highlands and Islands Enterprise has a framework agreement with Skills Development Scotland with respect to the provision of services, together with a partnership agreement with the Scottish Funding Council (SFC). The partnership agreement with SFC has ensured that the Higher Education Graduate Placement programme (ScotGrad) is right for the Highlands and Islands, with higher grant intervention rates than rest of Scotland. These arrangements need to be replicated in the South of Scotland with the new Agency. Skills development in Dumfries and Galloway; Business Gateway in Dumfries and Galloway; Community development through initiatives.

The three key areas of activity identified in the consultation document provides a good starting point for considering what the Agency should deliver. There are however a number of overarching considerations which should apply across all potential areas of activity. Most significant among these is the need for the new Agency to develop its leadership, capability and capacity to drive forward the Agency’s agenda. It must also work to instil these qualities across the business base and communities throughout the area.

The Council considers that the Agency must provide enhanced support to businesses and communities to achieve a step change in economic performance and Inclusive Economic Growth. For businesses and communities this is a practical exercise which requires real engagement, support and expertise in relation to the issues which matter to them.

As in the Highlands and Islands, there is a need to develop the capacity of communities so that they able to support inclusive growth in the broadest sense and specifically provide economic and employment opportunities.

For businesses, the Agency needs to develop and provide the kind of support identified in our response to question 2, particularly end-to-end solutions for business support, and
support for innovation, entrepreneurialism and research and development. As noted, such support must be practical in nature responding to the needs of individual businesses, whether skills, funding, or infrastructural, while also seeking to enhance the general business environment in the region, and developing the strategic and operating opportunities for business sectors. The Agency should be approachable. It needs to be a part of the operating context for businesses in the South of Scotland so that they can have confidence that when they need help it will be there to provide it.

There must also be a recognition that to drive inclusive growth, to respond local needs and opportunities, will require integration of business and community development, rooted in a full understanding of place.

Unlock the barriers to growth (premises, skilled people, access to markets, management skills) through providing a range of capacity building opportunities.

The new South of Scotland Enterprise Agency should become the ‘go to’ body for businesses in the South of Scotland, the new Agency also needs to be well integrated with the national agencies which have an involvement in Economic Development (particularly Scottish Enterprise, Highlands & Islands Enterprise, Skills Development Scotland, VisitScotland Scottish Funding Council, Scottish Natural Heritage, Scottish Environmental Protection Agency, Forestry Commission Scotland, and Creative Scotland) to ensure alignment and shared benefits.

As the Highlands & Islands and the South of Scotland face so many common challenges, continuing dialogue and collaboration is highly desirable and should be mutually advantageous, improving the capacity of both regions to contribute to national growth. It would be particularly beneficial for the new South of Scotland Agency to call on HIE’s experience of delivering economic development services in a rural setting and of working with communities in respect of its social remit.

The two local authority areas covering the South of Scotland are also involved in existing partnerships with neighbouring authorities. The creation of the Agency at the same time that development work is on-going on the Borderlands Inclusive Growth Deal; Edinburgh and South East Scotland City Region Deal; and the Borders Railway Blueprint, provides an unprecedented opportunity to affect the step change in economic performance for the South of Scotland to which we aspire. The new body will need to assess how and what kind of engagement can deliver on its objectives, but the alignment of these initiatives provides an unrivalled moment for the Agency to contribute and participate in the delivery of programmes which address strategic challenges and substantially benefit Dumfries & Galloway and the Scottish Borders.

In time, the South of Scotland should perform the role of lead strategic area on matters of national policy where (as in the case of Highlands and Islands’ primacy in marine energy and delivering the Scottish Land Fund) circumstances suggest that the region is the natural choice as national lead. Clearly, the Agency would have a vital role in such activity.
Inward investment is vital. The Scottish Cities Alliance along with SCDI have done well in presenting a Scottish Cities offer to the world. Thinking globally the collaboration with a range of Local Authorities and SDI and UKTI would put our businesses and our unique offer on a broader footing. Collaboration across the Border will be vital with the approach of the Borderlands deal to ensure that all opportunities are capitalised.

A new Agency for the South of Scotland must be relevant and accessible across the South of Scotland. Having a total digital presence is for the future when we have access to ubiquitous world class digital connectivity- however, being fully digital can never replace face to face meetings of some sort. People have a range of ways of engaging and providing choice is a way of the Agency demonstrating that it is accessible across the South of Scotland. The new Agency should be about enabling inclusive growth in a real way to the willing businesses, communities and social enterprises who wish to grow rather than having a new building in one location. Co-location may be a more pragmatic way of addressing this for the Agency to utilise existing infrastructure as it grows and develops.

Do you agree with the proposals for the body’s constitution, purposes, powers and duties (answer required)?
Please provide an explanation for your answer.

Yes, I agree with the proposals.

The proposals for the South of Scotland Enterprise Agency’s constitution purposes, powers and duties align closely with Dumfries and Galloway Council’s response to the Scottish Government’s consultation on the South of Scotland Agency submitted in June 2018 to the Scottish Government:

Establishment: In paragraphs 1,2,3 and 4, the Bill establishes the South of Scotland Enterprise (SOSE) similar that Highlands and islands Enterprise (HIE) and Scottish Enterprise (SE). The Council supports this approach.

Governance by way of a Board and its constitution follows best practice for public agencies in its composition and size, which is consistent to the approach used for all Government Executive Bodies and such Board appointment will be managed in accordance to the Public Appointments and Public Bodies (Scotland) Act 2003, and the Code of Practice produced by the Commissioner for Ethical Standards in Public Life Scotland. This ensures that high quality individual are appointed to the Board in an open and transparent manner.

Acknowledging the need for a strong and effective working relationship between the Agency and the South of Scotland local authorities, it is desirable that the Chair of the Board have the flexibility to bring appropriate council representation into the Board. The Council does not envisage that such representatives would be full board members, but it would be prudent to develop or to have the ability to develop the kind of linkages through appropriate council representation which assure mutual confidence between the Agency and local authorities. We expect such representation would be limited to no more than one lead representative from each council with a substitute. It may also be prudent for the
South of Scotland local authorities and other stakeholders to retain a revamped South of Scotland Alliance. This might stand in relation to the Agency as the Highlands & Islands Convention stands in relation to HIE. The Alliance would continue to provide a discussion forum and vehicle for political advocacy in respect of shared challenges and opportunities, while also facilitating dialogue with others, including the Agency.

In order to recognise the importance of the strategic leadership and local democracy roles that Local Authorities fulfil in the South of Scotland, there must be very strong links between Leaders and Chief Executives of the Council’s with the Chief Executive and Chair of the new Agency. The key formal interaction should with the South of Scotland Alliance, acting as a Convention of the South of Scotland.

It is important that the new Agency’s approach and operations are governed by principles which support positive social and environmental outcomes. The principle of inclusive growth and the influence of legislation/regulation provide a framework for the new Agency’s approach. It is expected that the new Agency will become a relevant authority under Schedule 3 of the Community Empowerment (Scotland) Act 2015 and under the Fairer Scotland Duty Interim Guidance. The new Agency should also be governed by principles of Sustainable Development, namely, the goal endorsed by Scottish Government of enabling ‘all people throughout the world to satisfy their basic needs and enjoy a better quality of life, without compromising the quality of life of future generations.’

Both councils consider their Community Planning Partnership arrangements broadly effective. However, challenges remain. While legislation has placed partners under increased obligation to ensure unqualified commitment to community planning, the capacities and the degree of commitment that different organisations bring to the table, vary. In creating the new Agency, Scottish Government is establishing a new set of mechanisms, and increased expectations around what the South of Scotland can and should be expected to do for itself, especially in relation to inclusive growth. If optimal outcomes are to be realised, it is essential that key partners are fully invested in delivering on our shared ambitions for the South of Scotland. As a practical matter, this entails recognising that the contribution of some community planning partners will be greater than others.

**Aims and Powers** - In paragraph 5, 6, 7 the Council welcomes the loose and broad dedication of aims in the Draft bill. This approach provides maximum flexibility for SOSE to design and implement interventions in achieving its aims. Overtime, as expertise is established within the new agency, SOSE will be well placed to develop new interventions that will help deliver the economic and social development of the South of Scotland. In this was the Draft Bill is suitably empowering.

The Council supports the specific aims to drive the economy, sustain communities and capitalise on people and resources. In section 5 – Aims we see it as important to specifically include the need to: -
• reverse the trend of demographic change in the South of Scotland by encouraging more people of working age to relocate to or stay in the area - Promotion of the region’s place offer and inward investment will be vital.
• promote the heritage and culture of the South of Scotland - this is the South of Scotland’s strength and unique selling point which is unable to be duplicated elsewhere. In order to build the South of Scotland’s economy it is vital that this is done from the local level.
• improve the connectivity of the South of Scotland -

It should be recognised that some of the key challenges to economic performance faced by the South of Scotland (such as demography or transport infrastructure) will take sustained effort and resource investment over many years and will not easily be remedied by lower cost and shorter-term solutions. The modification of the aims by Scottish Ministers should be done after consultation with the SOSE Board.

The proposed Action Plan is in line with the requirements of other government Agencies and is critical to the forward planning and setting milestones to drive the Agency’s ambitions and performance. The general powers reinforce the flexibility that is required for the new Agency to respond to the diverse and particular economic needs of the South of Scotland. The borrowing restriction is seen as valid for such a new Agency and consistent to the arrangements for both SIE and SE. It is believed to be right and proper for SOSE. The Draft Bill makes provision for the new agency to charge for services. Whilst it is absolutely desirable for the majority of its services to be provided free of charge, it is sensible to make such a provision.

Operational Matters - These are covered in paragraphs 8, 9, 10, and 11. The Council is supportive of the proposal made in relation to Headquarters in section 8. The Council’s view on the Headquarters of the Agency are that there is a need for a registered headquarters for legal purposes, but this issue and the location of the offices are operational matters to be determined by those charged with delivering the Agency’s remit. Unlike the Highlands and Islands there is no natural capital acting for a head office location. Consequently, we believe that the Agency needs to resist the location of a premier site in one part of the South of Scotland. This would simply alienate stakeholders and create dissonance between the Agency and other parts of the South of Scotland. Much more important is how the Agency ensures that its presence reaches across into every part of the South of Scotland and is delivered where, when and how best suits the end user. Staff should be embedded in local communities across the South of Scotland, fully mobile and able to respond to the needs of businesses, communities and stakeholders wherever there may be based in the South of Scotland.

Additionally, the Agency’s office needs should be delivered in a manner which makes the best use of existing public resources, ensuring that much of the budget can be spend on delivering real change which is needed in the South of Scotland. Co-location provides an opportunity to ensure maximum alignment with public sector partners. This ensures a seamless and integrated service is delivered to clients by keeping the majority of services under ‘one roof’. There may also be opportunities for colocation with community facilities.
and other local bases and this should form part of the new Agency’s location option assessment. This will help to embed the Agency in communities across the South of Scotland and also provides opportunities to innovate and consider alternative local delivery models, tailored to local needs.

The proposals for committees, regulation of procedure, authority to perform duties and validity of getting things done are supported as they will lead to efficient and effective running of organisations.

**Accountability** - In paragraphs 13 and 14 the proposals for Accounts, Audit and Annual reporting are in line with what would be expected of an Agency of this type. However, at the recent meeting of the Dumfries and Galloway Economic Leadership Group, 19 December 2018, the issue of the new Agency’s accountability at a local level was raised. In practice, the ‘Blue light’ services, Police and Fire, and the Integrated Joint Board report at a local level. The Enterprise and New Towns (Scotland) Act 1990, Part I, section 5 outlines the establishment and function of Highlands and Islands Enterprise will consult with Local Authorities.

‘Further provision as regards functions of Highlands and Islands Enterprise.’

(1) For the purposes of its general functions mentioned in section 1(b)(i) and (iii) of this Act, Highlands and Islands Enterprise shall (without prejudice to the generality of that section)—

(a) keep under review all matters relating to the economic and social well-being and development of the Highlands and Islands;

(b) after consultation with such local authorities [F1, National Park authorities,] and other bodies as appear to it to have an interest, from time to time prepare and submit to the Secretary of State for his approval proposals (whether general or specific in character) for the economic and social development of the Highlands and Islands or any part thereof;

(c) concert, promote, assist or undertake measures to implement any proposals so approved;

(d) to such extent as it considers appropriate, undertake or assist the undertaking of the development, re-development and improvement of the environment;

(e) to such extent as it considers appropriate, bring derelict land into use or improve its appearance or assist its being so brought or improved; and

(f) advise the Secretary of State on such matters relating to its functions as he may refer to it or as it may think fit, and shall discharge such other functions as are conferred by, under or by virtue of this Act.

(2) Secretary of State may approve, in whole or in part, any proposals submitted to him under subsection (1)(b) above, or may refuse to approve them.

(3) In exercising its functions, Highlands and Islands Enterprise shall (without prejudice to its general function of furthering improvement of the environment) have regard to the desirability of safeguarding—
(a) the natural beauty of the countryside in;

(b) the flora and fauna of; and

(c) the geological and geomorphological features of special interest of, the Highlands and Islands.

Ministerial Powers – the proposals for Ministerial Powers are in line with what would be expected on an Agency of this kind. In section 15 Ministerial powers, Ministers must consult with the Board of SOSE before issuing any direction.

Transfers from Scottish Enterprise. These are described in paragraph 17. The transfer of properties and liabilities from Scottish Enterprise is a necessary part of establishing the new Agency. It is expected that all of the economic development assets held by Scottish Enterprise are efficiently transferred to the new Agency to enable its transition to full operational capacity. Careful consideration needs to be given to any asset disposal, and the use of associated capital receipts, in the period before the transfer is made. Common understanding and effective operations are required to ensure effective use of Scottish Enterprise assets in the South of Scotland prior to the establishment of the Agency.

Interpretation - In paragraph 18 this is described. The Council strongly agrees that the South of Scotland means the Local Authority areas of Dumfries and Galloway and Scottish Borders Councils. The two Councils and the South of Scotland Alliance have strongly argued this case for many years that the economic challenges facing this part of southern Scotland are comparable to those facing the Highlands and Islands.

It is essential that there is clarity for partners, communities, businesses and other stakeholders. The area defined has a particular combination of shared challenges and a history of partnership in responding to economic challenges. There is a concern that to extend the geographic scope more broadly may alter the proposed character and focus of the new Agency upon a distinctive rural region, acknowledging that this is the underpinning rational for the proposed Agency.

Final Provisions - these are contained in paragraphs 19, 20, 21 and 22. The Council is in agreement with the Ancillary provisions, regulation-making powers, commencement and the Short Title.

Is there anything else that should be included or excluded from the Bill? If "yes", please provide further comment.

The Bill strongly aligns with the Council’s response to the Scottish Government’s consultation paper on the South of Scotland Enterprise Agency. There are some issues which have been highlighted in both the Scottish Government and South of Scotland Economic Partnership consultation exercises which the Council would wish the new Agency to take forward once it is established. This is not to suggest that this would need to be written into the legislation, but the new Agency, Scottish Government and other stakeholders need to consider them.
The first of these is leadership and advocacy for the South of Scotland within the government. This is highlighted in the assessment responses to the Scottish Government’s consultation as noted below.

“Advocacy for South of Scotland at a national level: The Agency should be a voice for the South of Scotland at a Scottish and UK Government level. It was expressed that the Agency should play a role in negotiating grant provision for the region on a national level.”

“Respondents felt that the Agency should advocate for the South of Scotland in Scottish Government decision-making, for example around transport infrastructure.”

The Council has identified that there are issues relating to the South of Scotland where SOSE will need to, and should expect to, take a more proactive role than may be previously envisaged. The clearest example was highlighted in the consultation is transport and transport infrastructure. There is a significant challenge in the South and it will be vital that SOSE work with Local Authorities and Transport Scotland to identify the specific challenges and contribute to responses. This is the kind of issue that SOSE should take a proactive role in promoting a case for the South of Scotland.

Another significant issue highlighted in consultation responses is that of stakeholder engagement and consultation – particularly at regional and local levels. Whilst the South will be influenced by the new Agency, the new Agency also should be influenced by the South. As part of that we would be keen to ensure that SOSE is active in its engagement with local partners, particularly in developing its strategy and action plan. The model of engagement in the Highlands & Islands may provide a starting point in developing a structure which allows this collaborative partnership exercise to take place. Any model must be tailored to the South.

Another important component of this is young people, which was one of the key issues highlighted in the consultation exercise. There is a significant challenge in relation to a brain drain of young people leaving the area, either to pursue educational or career opportunities. This is a challenge that has begun to be tackled in the Highlands & Islands and it is clear that more also needs to be done to provide better opportunities for young people in the South. Talent attraction and retention of young people and young families is vital for our region and will mean the need of access to a range of housing, in particular affordable housing stock. Retention and attraction of people up to 44 years of age is vital to ensuring a sustainable future for our region there will need to be a new process to consult with young people. It was suggested in the consultation documents that having a young person on the board may be appropriate, and while this may be a positive step, we are of the opinion that a wider consultative structure would need to be developed to supplement this. Dumfries and Galloway has a Youth Participation and Engagement Strategy 2018-2021 aimed at people aged 12-25.

It will be crucial that the new Agency works closely with Public sector partners, its support must enable the economy to ensure additionality to the South of Scotland rather than
displacement. This can be achieved with partnership working which will be vital for the South of Scotland’s overall success