The South of Scotland Alliance is a mature partnership between Dumfries & Galloway Council, Scottish Borders Council and Scottish Enterprise. The Alliance is primarily concerned with the Economic Development of the South of Scotland. Since its inception in 2003, the Alliance has been an advocate for the needs of the regional economy in the South of Scotland, addressing key challenges such as Digital Connectivity, leveraging in additional European Funding, and developing strategic development projects.

1. Do you agree that a South of Scotland Enterprise Agency should be created?

YES

1.1. The South of Scotland Alliance strongly supports the creation of the South of Scotland Enterprise Agency. The Alliance has driven the agenda in order to deliver a new way of supporting the economy in the South of Scotland.

1.2. 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 that it further connects these efforts around a regional agenda, providing structure, focus and momentum, 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 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. Additionally, it provides a critical and much needed focus and capacity to work with a wider range of businesses to understand business needs and provide responsive and tailored support. Most significantly though, it provides the framework and support to drive inclusive economic growth within the South of Scotland by focussing on place based solutions and strengthening communities.

1.3. The South of Scotland Alliance believes that the new Agency will be instrumental in fulfilling its 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.

1.4. South of Scotland Enterprise is needed to assist in meeting the significant economic challenges of the South of Scotland which 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)\(^1\)
   b) Low wealth creation (Gross Value Added (GVA) per head in the South of Scotland is £18,977 equating to 76.5% of the national average (£24,800 for Scotland (ONS - 2016))\(^2\)
   c) Low Average Weekly Wages – the median weekly wage for all workers in the South of Scotland is roughly £475.2 (£482.8 in SB and £469.7 in D&G – 30\(^{th}\) and 32\(^{nd}\) respectively amongst Local Authorities across Scotland). This is significantly below the national median of £563.2. (2018)\(^3\)
   d) Out-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.\(^4\)
   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)\(^5\)
   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)\(^6\)
   g) Significant connectivity issues in relation to transport and digital infrastructure – Scottish Index of Multiple Deprivation (SiMD) data shows that the South of Scotland (SoS) is particularly Access Deprived, with 37% of SoS data zones, in Scotland’s 20% most access deprived.\(^7\)

1.5. South of Scotland Enterprise will be critical in providing the relentless emphasis on geography and place needed to provide a step change in the economic and social development of the South of Scotland. This recognises that inclusive economic growth can only be generated within the towns and rural communities of the South

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2 ONS (2017), Regional GVA (balanced approach), [https://www.ons.gov.uk/economy/grossvalueaddedgva/datasets/nominalregionalgrossvalueaddedbalancedperheadandoncomecomponents](https://www.ons.gov.uk/economy/grossvalueaddedgva/datasets/nominalregionalgrossvalueaddedbalancedperheadandoncomecomponents)
3 Annual Survey of Hours and Earnings (2018), Gross Weekly Pay – Workplace Analysis, accessed through [http://www.nomisweb.co.uk](http://www.nomisweb.co.uk)
4 National Records of Scotland (2018), mid-2017 population estimates
6 Ibid
of Scotland through a new approach. The challenges are different here, the economy is different and, as the Scottish Government’s creation of the Agency attests, specific challenges necessitate particular solutions.

2. Do you agree with the proposals for the body’s constitution, purposes, powers and duties? If you do not agree with the proposals, please set out specifically what you would like to change.

YES


Looking at each section of the Bill:

Establishment (Paragraphs 1, 2, 3 and 4)

2.2. The Bill establishes the new South of Scotland Enterprise Agency (SOSE) in a manner which is in line with both Scottish Enterprise and Highlands & Islands Enterprise. This is supported by the South of Scotland Alliance.

2.3. The board and its constitution follows best practice for public agencies of its size and composition. Consistent with the approach used for all Government Executive Bodies, we recognise that Board appointments to SOSE will be managed in accordance of the Public Appointments and Public Bodies etc. (Scotland) Act 2003, and the Code of Practice which is produced by the Commissioner for Ethical Standards in Public Life in Scotland. This will ensure that high quality individuals are appointed to the Board in an open and transparent manner.

2.4. Outwith the legislative framework, the South of Scotland Alliance asserts there is a need for a strong and effective working relationship between the Agency and the South of Scotland local authorities, as well as national stakeholders. It will be crucial that there is joint strategic planning to secure shared economic outcomes. The Alliance has continued to develop its thinking, and as per our original consultation response, we are strongly of the view that the South of Scotland Alliance can provide the pivotal local interface with the new Agency in future.

2.5. The Alliance is considering how to further develop its make-up and remit to create an even stronger voice for the South of Scotland and a body that could act in future, with the requisite additional membership, as a Regional Economic Partnership for the South of Scotland. This might stand in relation to the new 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.
2.6. In order to recognise the importance of the strategic leadership and local democracy roles that Local Authorities fulfil in the South of Scotland, there should also be very strong links between the Leaders and Chief Executives of the Councils with the Chief Executive of the new Agency, as well as with national stakeholders. However, the key formal interaction should be with the South of Scotland Alliance, acting as a Convention of the South of Scotland, or similar entity.

**Aims and Powers (Paragraphs 5, 6, 7)**

2.7. The South of Scotland Alliance welcomes the broad definition of the aims in the Draft Bill. We believe that this approach will provide maximum flexibility for SOSE to design and implement interventions in achieving its aims. Over time, and as expertise is established in the new agency, SOSE will be well placed to develop new interventions which will help to deliver the economic and social development of the South of Scotland. In this context, the Alliance believes that the Draft Bill is suitably empowering.

2.8. The Alliance strongly supports the more specific aims listed in relation to the three intervention areas of the Agency i.e. a) Drive forward the economy; b) Sustain communities; and c) Capitalise on people and resources.

2.9. The Action Plan proposed is in line with the requirements of other Government Agencies and is critical to the forward planning and outcome setting to drive the ambitions and performance of the Agency. This section should also make provision for the Action Plan to be prepared in consultation with relevant Local Authorities and other local and national stakeholders in order to ensure the Action Plan accurately reflects the needs and opportunities of businesses and communities in the South of Scotland. The aim is to ensure a well-integrated approach from the public sector and other stakeholders in support of the economy. This would reflect the approach taken at S.5 (1) (b) Enterprise and New Towns (Scotland) Act 1990, in relation to the functions of Highlands and Islands Enterprise.

2.10. Finally, the general powers reinforce the necessary flexibility for the Agency to respond to the diverse and particular economic and social needs of the South of Scotland. The borrowing restriction which is placed on the new Agency is something which the Alliance believes is valid. It is entirely consistent with the arrangements for both Highlands & Islands Enterprise and Scottish Enterprise, and the Alliance believes it is right and proper that the same arrangements be put in place for SOSE. Additionally, 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 that this provision is made, recognising that services must be compliant with state aid rules.

**Operational Matters (Paragraphs 8,9,10, and 11)**

2.11. The South of Scotland Alliance is supportive of the proposals made in relation to Headquarters for the South of Scotland Enterprise Agency. It is important that the organisation is rooted in the South of Scotland and accessible and responsive to every part of the region.
2.12. The South of Scotland Alliance’s views on the Headquarters of the Agency are that there will be a need for a registered headquarters for legal purposes, but this issue and the location of offices are operational matters to be determined by those charged with the delivery of the Agency’s remit.

2.13. Unlike the Highlands & Islands, the South of Scotland has no natural ‘capital’ acting as a hub for the entire area and there is no obvious candidate for a head office location. Consequently, the Alliance believes that the Agency needs to resist the location of a main site in one part of the South of Scotland. This would alienate stakeholders and potentially create tension between the Agency and other parts of the South of Scotland.

2.14. Much more important is how the Agency ensures that its presence reaches across and 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 throughout the region, while fully mobile and ready to respond to the needs of businesses, communities and stakeholders wherever they may be based in the South of Scotland.

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

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

Accountability (Paragraphs 13 and 14)

2.17. The proposals for Accounts and Audit and the Annual Report are in line with what would be expected of an Agency of this type.

Ministerial Powers (Paragraphs 15 and 16)

2.18. The proposals for Ministerial Powers are in line with what would be expected of an Agency of this kind.

Transfers from Scottish Enterprise (Paragraph 17)
2.19. The transfer of properties and liabilities from Scottish Enterprise is a necessary part of establishing the new Agency. It is expected that all appropriate 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 (Paragraph 18)*

2.20. The South of Scotland Alliance strongly agrees that the South of Scotland means the Local Authority areas of Dumfries and Galloway Council and Scottish Borders Council. The Alliance, specifically the two Councils, have argued strongly for many years that the economic and social challenges facing this part of southern Scotland are comparable to those facing the Highlands and Islands.

2.21. The South of Scotland, as defined as Dumfries & Galloway and the Scottish Borders has become a well-established entity for Economic Development in recent decades. Both Councils have been working in partnership through the South of Scotland Alliance with Scottish Enterprise since 2003 because of the recognition about the need to address the common economic challenges and opportunities across the South of Scotland. From 2000-2006, additional European Funding was channelled in through the South of Scotland Objective 2 European Regional Development Fund (ERDF) programme, which covered Dumfries & Galloway and the Scottish Borders. There was also an ERDF ‘rural strand’ programme for the South of Scotland in the period 2007-13. Scottish Enterprise recognised the South of Scotland as one of their five distinct enterprise regions after the removal of Local Enterprise Companies in 2007.

2.22. Clarity of area is essential for partners, communities, businesses and other stakeholders. The South of Scotland as defined has a particular combination of shared issues and history of partnership in responding to economic challenges and opportunities. There is a concern that to extend the geographic scope more broadly may alter the proposed character and focus of the Agency upon a distinctive rural region, acknowledging that this is the underpinning rationale for the proposed Agency.

*Final Provisions (Paragraphs 19, 20, 21 and 22)*

2.23. The South of Scotland Alliance is in agreement with Ancillary provision, Regulation-making powers, Commencement and Short Title.

3. Is there anything else that should be included or excluded from the Bill?

3.1. As previously noted, the proposals set out within the Bill strongly accord with the core elements of the Alliance’s response to the Scottish Government’s consultation paper on the South of Scotland Enterprise Agency.
3.2. However, there are some issues which have been highlighted in both the Scottish Government and South of Scotland Economic Partnership consultation exercises, which the Alliance would wish the new Agency to take forward once it is established. This is not to suggest that they need to be written into the legislation, but the new Agency, Scottish Government and other stakeholders need to be cognisant of them.

3.3. The first of these is leadership and advocacy for the South of Scotland within Government. This was highlighted in the assessment of 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.”

3.4. The Alliance is of the view that there are issues relating to the South of Scotland where SOSE will need to, and should be expected to, take a more pro-active role than may have been envisaged previously. The clearest example of this highlighted in the consultation is Transport and Transport Infrastructure. This is a significant challenge in the South, and it will be important for SOSE to work with Transport Scotland to identify specific challenges and to contribute to responses. Furthermore, the transport agenda is precisely the kind of issue upon which SOSE should take a proactive role in promoting the case for the South of Scotland.

3.5. 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 and national 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.

3.6. 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. In order to do that, and have that focus, 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.