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## **NORTH AYRSHIRE COUNCIL**

### **Agenda Item 6**

**28 February 2017**

#### **Cabinet**

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**Title:** **Ayrshire Regional Pathfinder**

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**Purpose:** To advise Cabinet that the three Ayrshire Councils have been invited to work with the Scottish Government to develop a regional Pathfinder exploring how regional partnerships can stimulate local economies and to update Members on the progress to explore options for a single Ayrshire Economic Development Agency.

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**Recommendation:** That Cabinet agrees to:

- Note that Ayrshire has been identified as a Regional Partnership Pathfinder as part of Phase 2 of the Scottish Government Enterprise and Skills Review;
  - Endorse the participation of officers in work to explore options for a Regional Partnership which may include the development of a single Ayrshire Economic Development Agency;
  - Note the roll out across Ayrshire of the Inclusive Growth Diagnostic that has been piloted in North Ayrshire and will provide an evidence base to inform the Regional Partnership discussions;
  - Note the Scottish Government position to create a Scotland wide statutory board to co-ordinate the activities of the national agencies and create a new vehicle to meet the enterprise and skills need of South of Scotland.
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## **1. Executive Summary**

- 1.1 In response to Phase 1 of the Scottish Government Enterprise and Skills Review, the three Ayrshire Councils confirmed that – as part of the Ayrshire Growth Deal discussions – the three Councils are exploring the potential for a single Ayrshire agency that would increase shared service arrangements and help strengthen local economic development services.

- 1.2 As part of the ongoing Phase 2 of the Enterprise and Skills Review, the three Ayrshire local authorities have been invited by the Scottish Government to act as a 'Pathfinder' region. This will explore how regional partnerships can stimulate local economies and build inclusive growth while fostering improved innovation, internationalisation and investment across a region to maximise the collective impact on boosting competitiveness and tackling inequality at local, regional and national levels.
- 1.3 This paper updates Members on the progress of the above discussions on a Regional Pathfinder and notifies Members that the Improvement Service are providing independent advice on the options for a single Ayrshire Economic Development Agency.

## **2. Background**

### Ayrshire Growth Deal

- 2.1 The Cabinet of 1 September 2015 approved a proposal to prepare a bid for an Ayrshire Growth Deal (AGD) in conjunction with South and East Ayrshire Councils and other partners. An AGD would provide the Ayrshire authorities and partners with the opportunity to focus on the major interventions which would grow the economy and create employment within the region.
- 2.2 The Cabinet of the 27 September 2016 agreed to the submission of the Ayrshire Growth Deal Strategic Business Case to the Scottish and UK Governments. Consideration is required on the delivery model for AGD projects should it be approved.

### Scottish Government Enterprise and Skills Review

- 2.3 The First Minister announced on 25 May 2016 that the Government would carry out an end-to-end review of the roles, responsibilities and relationships of the enterprise and skills agencies, covering the full functions of Scottish Enterprise (SE), Highlands and Islands Enterprise (HIE), Skills Development Scotland (SDS) and the Scottish Funding Council (SFC). The review is intended to ensure that these public agencies are delivering the joined up support that young people, universities, colleges and businesses need. The review is being led by the Cabinet Secretary for the Economy, Jobs and Fair Work, Keith Brown. The Cabinet of the 16 August 2016 approved the Council's response for submission to Government on Phase 1 of the Enterprise and Skills Review.

2.4 The Council's evidence to the review highlighted the following positions:

- The review should seek to de-clutter the national agency landscape providing clarity on responsibilities and greater recognition of local authorities role in economic development through the devolvement of local services and decision-making.
- A greater priority to inclusive growth policy.
- A greater recognition of economic geography and the different opportunities that our cities, islands, coast and rural areas present.
- We would be supportive of a reduction from 4 national agencies to a single skills and enterprise agency for Scotland, including the work of the 3 Ayrshire Councils to develop a regional deal and how we can work more jointly to deliver local plans and services.

2.5 The Scottish Government Report on Phase 1 of the Review highlighted the following key themes:

- The degree of alignment between enterprise and skills support services, and how to measure impact;
- the optimal fit between national and local priorities;
- the need for a 'no wrong door' approach to simplify service and funding streams;
- how best to augment support for internationalisation in a changing context;
- how to improve our innovation performance; and
- how to improve skills provision and utilisation.

2.6 As part of the Phase 1 decision, the Scottish Government proposed greater integration and focus on delivery of enterprise and skills support to businesses and users of the skills system by creating a new Scotland wide statutory board to co-ordinate the activities of SE, HIE, SDS and SFC. Phase 1 also identified the need to create a new vehicle to meet the enterprise and skills needs of South of Scotland. Whilst North Ayrshire Council advocated for decluttering of the agency landscape, matters have advanced from the Phase 1 submission and the Scottish Government is now considering the governance arrangements of national strategic board, the best distribution of functions between the agencies beneath it and the associated legislative requirements. It is understood that there will be a further set of proposals which are due to be set out by the Scottish government in March. North Ayrshire Council should have a further opportunity to review its position at that point.

- 2.7 The Scottish Government outlined that as part of Phase 2 of the review, it would work with COSLA, local authorities and their business and other local partners to build on existing and emerging opportunities throughout Scotland and to optimise regional economic impact while remaining responsive to meeting local needs. This is with the aim of building on assets to harness regional strengths to stimulate local economic development and to build inclusive growth.
- 2.8 Following a meeting with the Cabinet Secretary for the Economy, Jobs and Fair Work in December 2016, the Ayrshire Councils were invited to work with the Scottish Government and other partners, particularly Scottish Enterprise and Skills Development Scotland, to develop a Pathfinder exploring how regional partnerships can stimulate local economies.

#### Ayrshire Regional Pathfinder

- 2.9 The Pathfinder will build on the progress made to deliver a shared vision for the Ayrshire economy geography.
- 2.10 A potential Growth Deal is one strand of activity which a regional partnership might be expected to oversee and implement; however the Pathfinder is focusing on the possible structure of the regional partnership rather than detailed content of a Growth Deal. The Pathfinder will also explore views on governance for an Ayrshire Regional Partnership.
- 2.11 The Scottish Government have proposed to extend the Inclusive Growth Diagnostic, developed by the Scottish Government and piloted in North Ayrshire, to East and South Ayrshire. Based on a methodology conceived by three Harvard Economists, diagnostics are increasingly used in developing countries to identify the main constraints to growth and prioritise spending actions to unlock them. The diagnostic's main purpose is to identify constraints and opportunities for driving inclusive growth in North Ayrshire in order to prioritise actions to address them. The Scottish Government believe that the rolling out of the diagnostic tool to the whole of the Ayrshire region will provide an evidenced based approach to informing both the regional Pathfinder and the AGD.
- 2.12 In parallel to this, the Improvement Service have been commissioned to provide an assessment of options for a single Ayrshire agency that would increase shared service arrangements and help strengthen local economic development services. The commission will consider two sets of options for a single Ayrshire agency. Firstly in relation to the range of services that could be included, and secondly, in relation to the governance of the agency. The Improvement Service will report their findings in Spring.

- 2.13 A review is also underway as part of the Ayrshire Growth Deal to explore the current demand for enterprise support interventions in Ayrshire, highlighting barriers to take up, and any gaps in current provision which could be used to form the basis of an Ayrshire Innovation and Internationalisation Framework. The work will also seek to understand the extent to which services that are currently delivered could be improved upon. This review will inform the Improvement Service commission and the Pathfinder.
- 2.14 An Ayrshire-wide Steering Group has been formed to guide the Pathfinder process, comprising of: Executive Director for Economy and Communities – North Ayrshire Council, Executive Director, Economy, Neighbourhood and Environment – South Ayrshire Council, Depute Chief Executive and Chief Financial Officer – East Ayrshire Council, and representatives from Scottish Enterprise, Skills Development Scotland and Scottish Government.

### **3. Proposals**

- 3.1 It is proposed that the Cabinet agrees to:
- Note that Ayrshire has been identified as a Regional Partnership Pathfinder as part of Phase 2 of the Scottish Government Enterprise and Skills Review;
  - Endorse the participation of officers in work to explore options for a Regional Partnership which may include the development of a single Ayrshire Economic Development Agency;
  - Note the roll out across Ayrshire of the Inclusive Growth Diagnostic that has been piloted in North Ayrshire and will provide an evidence base to inform the Regional Partnership discussions;
  - Note the Scottish Government position to create a Scotland wide statutory board to co-ordinate the activities of the national agencies and create a new vehicle to meet the enterprise and skills need of South of Scotland.

#### 4. Implications

<b>Financial:</b>	There are no financial implications resulting from this report. In the longer term should options for a new Regional Partnership be proposed, the full financial implications would be considered at that stage.
<b>Human Resources:</b>	An Ayrshire-wide Steering Group has been formed to guide the Pathfinder process, comprising of: Executive Director for Economy and Communities – North Ayrshire Council, Executive Director, Economy, Neighbourhood and Environment – South Ayrshire Council, Depute Chief Executive and Chief Financial Officer – East Ayrshire Council, and representatives from Scottish Enterprise, Skills Development Scotland and Scottish Government.
<b>Legal:</b>	There are no legal implications arising from the report. Subject to approval to proceed, proposals for a formal governance structure to oversee the further development of potential Agency will be brought to a future Cabinet.
<b>Equality:</b>	There are no implications arising from this report.
<b>Environmental &amp; Sustainability:</b>	There are no implications arising from this report.
<b>Key Priorities:</b>	<p>This proposal supports the Council plan priority of growing our economy, increasing employment and regenerating our towns.</p> <p>It also has the potential to support the following Council priorities:</p> <ul style="list-style-type: none"> <li>● Working together to develop stronger communities</li> <li>● Ensuring people have the right skills for learning, life and work</li> </ul>
<b>Community Benefits:</b>	There are no implications arising from this report.

## **5. Consultation**

- 5.1 Consultation has taken place with the Chief Executive, Scottish Government, East Ayrshire Council, South Ayrshire Council, Scottish Enterprise and Skills Development Scotland.



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Reference : CMc/AB

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### **Background Papers**

None