

FINANCE AND CONSTITUTION COMMITTEE

SOUTH OF SCOTLAND ENTERPRISE BILL FINANCIAL MEMORANDUM SUBMISSION FROM

This response from Dumfries and Galloway Council (the Council) comprises of general observations on the Scottish Enterprise Bill and Financial Memorandum before providing answers to the questions in the Committee's questionnaire.

General

As noted as part of the Council's written evidence provided to the Scottish Parliamentary Rural Economy and Connectivity Committee to the South of Scotland Enterprise Bill on 7 January 2019 and to the Consultation on a new Enterprise Agency for the South of Scotland in 2018, this Council strongly supports the creation of the South of Scotland Enterprise Agency.

The Council believes that by working with public, private and third sector partners, the new Agency will be instrumental in fulfilling the ambition of the South of Scotland being transformed into one of the most vibrant rural economies in Scotland and beyond. This will see the South of Scotland as a strong, resilient, 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 will be commonplace, with young people confidently looking forward to high quality educational, training and employment prospects as basis 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 Consultation response referred to above and can be found here. South of Scotland Enterprise is needed to assist in meeting the significant economic and social challenges of our distinctive rural region. In order to achieve this ambition 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, which the Council considers vital to the Committee's assessment of requirements in establishment, operation and in relation to overall budget allocation to the new body. These are:-

A. Methodology

The Memorandum proposes that the new body receives a per capita equivalent to the allocation made to Highlands and Islands Enterprise (HIE). This approach is supported by the Council as tg=hw foundation for funding the new Agency. It establishes a sound

principle to benchmark the calculation of resources. The South of Scotland Enterprise will have a similar remit to HIE, and will be responsible for delivering those services across a predominantly rural area. The area comprises one seventh of Scotland's total land area with, 24 people per km², the most sparsely populated area outside the Highlands & Islands. In 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 is £18,977 equating to 76.5% of the national average (£24,800 for Scotland (ONS - 2016)).

Whilst there are similar of challenges d in the South of Scotland to those encountered in the Highlands & Islands, it is noteworthy that the degree and r combination of challenges vary. An example being that 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. So, whilst there is merit in the basic HIE methodology, as the Agency is established and its work develops, funding arrangements should be able to be adapted to meet the particular challenges of the South of Scotland, if a fully effective 'placed-based' approach to driving inclusive economic growth is to be realised.

B. Additionality

Dumfries and Galloway Council, Scottish Borders Council, along with the exiting Enterprise Agencies (Scottish Enterprise, Skills Development Scotland, Scottish Funding Council) have been working with the local colleges and universities 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, to augment 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.

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, Dumfries and Galloway Council submitted a detailed a response to the consultation exercise, on 7 January 2019.

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 publishing 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 funding of 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 11th December permitted only 13 full working days before the deadline. 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. Please, however, 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.