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Dear Edward,

STAGE 1 REPORT ON THE SOUTH OF SCOTLAND ENTERPRISE BILL

I am writing in response to the Rural Economy and Connectivity Committee Stage 1 report on the South of Scotland Enterprise Bill. I would like to thank the Committee for its careful consideration of the Bill.

I am very pleased that the Committee has recognised the unique circumstances of the south of Scotland and the need for a new body to support the enterprise and skills needs of the area. I welcome the fact that the Committee has recommended that the general principles of the Bill should be agreed by parliament, and look forward to hearing member's further thoughts during the forthcoming Stage 1 debate.

The Committee has raised some important points and made a number of recommendations which I have considered and respond on below. I am sure that the issues raised by the Committee will be further debated during the Stage 1 debate next week. My response follows the headings used in the report.

Areas to be covered by the agency

The Bill defines the south of Scotland as the two local authority areas of Dumfries and Galloway and the Scottish Borders, reflecting the economic context and similarity of challenges and opportunities. I welcome the Committee's support for the proposed boundary and can confirm that the Bill, as drafted, enables South of Scotland Enterprise to undertake activities outwith its geographical boundaries and to collaborate with other enterprise agencies to the furtherance of its aims. I also can assure you the Scottish Government is committed to supporting regional economies to thrive across all of Scotland.

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Interaction of the agency with existing bodies

The report recommends that appropriate mechanisms are developed to facilitate collaboration and coordination between the new agency and existing agencies operating in the region, including the Strategic Board.

Cooperation and collaboration are vitally important and South of Scotland Enterprise (SOSE) will build on the strengths of our current system of enterprise and skills support, and strengthen the links with other organisations and wider community to further drive inclusive growth and innovation across the region. We are exploring with stakeholders how this can best be delivered once the body is operational, and I shall update the Committee before Stage 2 consideration.

The work of the Strategic Board, set up to align and coordinate the activities of Scotland's enterprise and skills agencies, will also be crucial to this. The chair of SOSEP is currently a member of the Strategic Board and it is expected this will continue with the future chair of SOSE being a member.

Agency powers and objectives

I am pleased to note the Committee's acknowledgment that the Bill is drafted to avoid a prescriptive approach and provide flexibility. It is important that SOSE has the powers necessary for it to achieve its strategic aims and tailor its response to circumstances and need. We want to ensure that the new agency can be nimble, flexible and responsive to the needs of the South. I shall however give careful consideration to the specific recommendations in the report that suggest potential amendments to the aims as currently set out in section 5 of the Bill.

I further note that, drawing on the report submitted by the Delegated Powers and Law Reform Committee, the Committee calls for clarification on the purpose of section 5(3) of the Bill. The provision within section 5(3) of the Bill enables a modification to be made to any part of section 5, but only for the purpose of altering the aims of the body. This power provides Ministers with flexibility to adapt the aims of the body to any changes in the circumstances (of Scotland or the south of Scotland) over the coming years and to allow such changes to be responded to effectively and nimbly. The power deliberately captures the whole of section 5 to ensure that, for example, any definitions required to interpret amended aims can be inserted as well as the amended aims.

Comparison with powers of Highlands and Islands Enterprise

When I gave evidence to the Committee on 30 January, I undertook to consider further powers in the Enterprise and New Towns (Scotland) Act 1990 which are not replicated in the Bill. I note that, on the evidence heard, you are satisfied that powers of compulsory purchase are not required. The powers of Scottish Enterprise and Highlands and Islands Enterprise to enter on to land without permission and require people to provide information are, in practice, an aspect of their ability to compulsorily purchase land. As public bodies operate in a different way now we do not anticipate SOSE will be undertaking activities which require it to compulsorily purchase land. SOSE will be expected to work collaboratively with others.

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Location of the new agency

I am pleased to note that the Committee agrees that co-location can bring significant benefits. Scottish Government officials are taking forward work to deliver the commitment that SOSE will be accessible to all, including options and arrangements for co-locating with other organisations which would not only be cost-effective but would help joined-up delivery and ensure that the organisation operates effectively across the area.

Governance of the new agency

I agree with the Committee on the importance of getting the board membership right. The aim is that members will provide a balanced mix of relevant skills and expertise relevant to the new agency, and as I mentioned to the Committee on 30 January, I have asked officials to ensure the appointments advertising campaign reaches out across the area to encourage a wide range of people to apply.

Accountability of the new agency

Clear and transparent measurement and evaluation will be important to ensure that SOSE delivers against its aims and outcomes. It must also be accountable to the people of Scotland to ensure that it is of the south for the south. Officials are currently considering how this will be delivered once the body is operational and full consideration will be given to the Committee's recommendation.

Ministerial powers of direction

I note that the Committee, further to the recommendations made by the Delegated Powers and Law Reform Committee, calls for amendments to section 15 of the Bill regarding Ministerial powers of direction. While these powers would only be used in exceptional circumstances, I would expect close ministerial consultation with SOSE before any direction is issued, and for the rationale behind any direction to be made clear. I will therefore, take forward an amendment to the Bill at Stage 2 to achieve this.

Equal Opportunities

All applicable equalities legislation will apply to the new body and equality will be integrated into all SOSE does. Equality is an integral part of the Scottish Government's business and SOSE will have a key role in supporting inclusive growth, and provides an opportunity to tackle inequality at all levels and address exclusion.

Finance

I welcome the Committee's conclusion that the proposed approach for the budget of the new agency is appropriate and proportionate. While decisions on funding will be made a part of relevant future budget cycles I will respond further to the Committee's request in due course.

I look forward to continuing to work with the Committee and wider Parliament on the Bill.



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