

EAST AYRSHIRE COUNCIL

DEVELOPMENT SERVICES COMMITTEE : 9 MAY 2000

REVIEW OF THE LOCAL ENTERPRISE NETWORK

Report by Director of Development Services

1 PURPOSE OF REPORT

- 1.1 To recommend a response to the current consultation by the Scottish Executive on the future of the Local Enterprise Network (Scottish Enterprise National and the Local Enterprise companies).

2 BACKGROUND

- 2.1 There are currently three inquiries and consultations on the future of economic development services in Scotland:

- The preparation by the Scottish Executive of a National Economic Framework for Scotland
- Inquiry by the Enterprise & Lifelong Learning Committee of the Scottish Parliament into the organisation of economic development agencies
- Consultation by the Scottish Executive on the future of the Enterprise Network

- 2.2 The Council has made a submission in relation to the National Economic Framework for Scotland, and has provided information on local business support agency arrangements to the Scottish Parliament Inquiry. The purpose of this report is to set out a response to the Scottish Executive Consultation on the Future of the Enterprise Network.

3 CRITIQUE OF THE CURRENT ARRANGEMENTS

- 3.1 The key nationally-funded agencies within the current arrangements are the local enterprise companies. These have two key strengths:

- They are managed locally as independent companies, enabling them to relate closely to local authorities and other local development agencies and local businesses
- They draw together a broad range of functions: business support, infrastructure provision through environmental improvements and factory and office developments, and funding for general skills training

- 3.2 Issues relating to the current arrangements include:

- The local enterprise companies draw down their funds from Scottish Enterprise National – as a consequence their programme priorities and

approaches to supporting local economic development strategies are constrained by the priorities and operational guidelines set by the national agency

- They in effect represent national agencies (Scottish Enterprise National, Locate in Scotland, and Scotland International) locally, and provide the channel for local influence on the national agencies – as a consequence the contact between other local development agencies and these development organisations is severely limited
- The LECs are managed by boards of nominated individuals (although these include the three Council Leaders) – as a consequence other organisations with whom they work in partnership are not directly involved in development and management of their programmes (such involvement is limited to consultations and influence through organisations such as the Ayrshire Economic Forum)

3.3 The consequence of these features is that LEC policy and programmes can at times appear disconnected from local development priorities, and Ayrshire’s interests may appear to be sidelined in national economic development programmes which naturally tend to focus more heavily on the major urban centres and the Highlands and Islands.

3.4 In some key respects the submission of the “programme for jobs” last year, which successfully attracted additional funding for development initiatives within Ayrshire, involved overcoming these weaknesses in the current arrangements. Key to the success of this initiative was the direct participation of the relevant Government Minister and senior officials from the Scottish Office in discussions organised under the auspices of the Ayrshire Economic Forum which brought together the submission. New arrangements are required for the management of economic development in Ayrshire which consolidate and make permanent the relationships which were established through this initiative.

4. THE LOCAL AUTHORITY ROLE

4.1 Local authorities play a critical role in supporting economic development through business support schemes, planning and infrastructure programmes, education, community services, and training and job placement schemes. Local authorities have also been asked to co-ordinate Community Plans for their areas, which will embrace economic development objectives within a broader framework of social and community development. Any new arrangements for promoting economic development must incorporate local authorities at their core.

5 PRINCIPLES OF PROPOSED RESPONSE

5.1 It is proposed to focus on establishing a number of key principles rather than making detailed organisational proposals. The suggested principles are:

- **Levelling the Playing Field**

National economic strategy is focusing on new approaches to supporting development, in particular lifelong learning, E-commerce, and industrial clusters linked through technological innovation. There is no question of the importance of these drivers of future economic development. But it is vital that areas throughout Scotland should be able to participate fully in these new developments. This will require continued support for more traditional economic development programmes including the provision of infrastructure and general skills training. Areas such as Ayrshire, which have to an extent been left behind as new industries have burgeoned in the main urban centres of Central Scotland must be assisted to compete for new development on a fully level playing field.

- **A Wider Partnership**

In order to deliver the full range of its functions the local enterprise companies require to work closely with a wide range of other organisations including local authorities, local businesses, further education colleges, higher education institutions, education authorities, private developers, financial investment institutions, other development agencies such as the local tourist board, and local voluntary organisations. The development and management of the local economic strategies and programmes needs to engage this broad partnership actively in the process.

- **National Presence**

To assist national agencies to ensure that their priorities and programmes fully reflect the development needs identified by local development agencies, key management organisations should involve the direct participation of national agency representatives. These should include the Scottish Executive, Scottish Enterprise National, Locate in Scotland and the Scottish Tourist Board.

- **Effective Programme Delivery**

The existing enterprise companies are in practice small organisations in relation to the range of programmes which they deliver. There needs to be a recognition that effective programme delivery will require the establishment of a number of organisations with remits for specific development programmes including: a public/private development partnership, an enterprise and investment fund, a training and job placement partnership, a network of local business support organisations, and an integrated tourism promotion agency (see below).

- **Representation**

The key strategic management organisation, currently the LEC, should be re-constituted in a form which enables the key development agencies to be represented formally on its management board. Business might be appropriately represented through the Ayrshire Chamber of Commerce. There would continue to be a place for

individual business representatives on some of the associated development organisations, such as the public/private development partnership suggested above.

- 5.2** A new structure of development agencies which incorporated these principles would leave a role for the existing LEC organisation in the management and support for the strategic development partnership, and in the implementation of specific programmes. Its function would be enhanced, because it would be serving a broader partnership of local development agencies rather than a company established to manage the delivery of national programmes locally.

6 SPECIFIC FUNCTIONS

- 6.1** A number of more detailed points are raised which require specific comment:

- **Training**

When Scottish Enterprise was formed together with the Local Enterprise Companies it brought together the former SDA and the Manpower Services Commission. There are now suggestions that the training functions transferred to the Enterprise Network should again be divorced from the other functions of the Network. There is a case for closer integration of these functions with those of the Further Education sector, Education Authorities and the Employment Service and careers services. But it is equally important that the closer link with business development services which can be provided through the LEC's is maintained. Any new arrangements for managing training programmes should be built on the basis of management through wider partnerships representing all these interests.

- **Business Support**

The Scottish Parliament Inquiry has expressed some concern at the level of alleged duplication in business support services. This is essentially an operational issue, and should be resolved through good practice and full co-operation between the agencies concerned. In Ayrshire an effective network of linked agencies has been developed, combining services such as those provided by Enterprise Ayrshire and the Ayrshire Exports Partnership, with more locally based support services for small businesses. There is no clear need to integrate these services further.

- **Tourism**

Support for the tourist industry is effectively split between the STB and its associated Area Tourist Boards, and the Enterprise Network. The Tourist Boards operate marketing and quality programmes, while the Enterprise Network supports training, business development and new visitor attractions. To secure effective support for the industry these two groups of functions should be fully integrated within Ayrshire, and on an equivalent area basis throughout Scotland.

- **Rural Issues**

The Scottish Executive consultation asks if the task of promoting economic development in urban and rural areas is significantly different. This question appears to overlook the needs of areas such as East Ayrshire where the communities in rural areas which require greatest support are essentially industrial communities. These communities have the same problems of high unemployment, 'peripheral' housing schemes and poor community facilities as urban areas, albeit on a smaller scale. They have the additional disadvantage of remoteness from centres of economic growth. The measures required to tackle the problems of these areas are similar to the measures required for urban areas – but the added disadvantages make a more intensive level of support necessary.

7. LEGAL AND FINANCIAL IMPLICATIONS

7.1 There are no immediate legal or financial implications.

8. RECOMMENDATIONS

8.1 It is recommended that the committee authorise the Director of Development Services to submit a response to the Scottish Executive's consultation on the future of the Enterprise Network based on the principles set out in paragraphs 4.1, 5.1, and 6.1 above.

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SC/JR/KM
 26/4/00

LIST OF BACKGROUND PAPERS

1. Scottish Executive consultation report on the future of the Enterprise Network

For further information on the contents of this report please contact Stephen Chorley, Director of Development Services. Telephone 01563 576146.

AGENDA