

**From:** Maclean C (Catriona)  
**Sent:** 10 July 2017 11:33  
**To:** [REDACTED]  
**Cc:** Gil O (Oonagh); Rollison R (Richard); [REDACTED]  
**Subject:** PFG - DED Template - targeting EU funding on skills gaps and investment (2)

[REDACTED]  
Here are some suggested additions in red to [REDACTED]. I'm heading out as of now but happy to have views and comments by email or to speak tomorrow if that helps

[attachment below]

Kind regards

[REDACTED]

## **PFG 'BOLD' PROPOSALS**

# **SUMMARY**

## **TARGET EU FUNDS ON POST-INDUSTRIAL SCOTLAND**

### **DRAFT TEXT FOR PFG**

[REDACTED]

### **DETAIL**

[REDACTED]

#### *Boosting City Deal skills delivery*

City Region Deals in Scotland are delivering new collaborative partnerships focused on long-term strategic approaches to improving regional economies. They have paved the way for new forms of regional governance and the June 2017 report of Phase 2 of the Enterprise and Skills Review gave a commitment to ensuring "that every community is represented by a Regional Partnership focussed on the needs of the economy of their area". Regional Partnerships are being established across the country, building on those city region deal areas that already exist. We will ensure that future deals utilise the inclusive growth model to inform prioritisation of projects within the deals to prioritise and evidence their impact on driving inclusive growth.

[REDACTED]

DED - E&S

July 2017

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**From:** Rollison R (Richard)  
**Sent:** 10 July 2017 19:14  
**To:** DG Economy  
**Cc:** [REDACTED]  
**Subject:** Fw: PFG - DED Template - targeting EU funding on [REDACTED] - 10 7 2017

Liz

This is the first of a handful of FM PfG commissions. Sorry for providing in dribs and drabs but better than you have time to consider at least some of these.

[REDACTED] has led on this and can provide further info if required.

Richard Rollison  
Deputy Director  
Innovation, Industries and Investment Division  
Directorate for Economic Development  
Scottish Government

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**From:** [REDACTED]  
**Sent:** 18 July 2017 17:29  
**To:** [REDACTED]; Lloyd E (Elizabeth); McAllister C (Colin); Director of Financial Strategy; Nicholson J (John); Henderson G (Gavin); [REDACTED]; Somers J (John); Permanent Secretary; Miller D (David); Cabinet Secretary for the Environment, Climate Change and Land Reform; Minister for Business, Innovation and Energy; Minister for Transport and the Islands; Brannen R (Roy); PS/Transport Scotland; Hamilton F (Fiona); Stark C (Chris); Rollison R (Richard); Director Digital  
**Cc:** DG Economy; [REDACTED];  
**Subject:** RE: Programme for Government proposals

[REDACTED]

Thanks for all of these returns, they are all with the First Minister with the exception of the following:

[REDACTED -OUT OF SCOPE]

- Richard R/Colin Cook – on the [REDACTED] I've only given the FM Colin's work at this stage. [REDACTED]

[REDACTED – OUT OF SCOPE]

Thanks

Chris

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**From:** Rollison R (Richard)  
**Sent:** 18 July 2017 18:09  
**To:** Birt C (Christopher); [REDACTED]; Lloyd E (Elizabeth); McAllister C (Colin); Director of Financial Strategy; Nicholson J (John); Henderson G (Gavin); [REDACTED]; Somers J (John); Permanent Secretary; Miller D (David); Brannen R (Roy); [REDACTED]; Stark C (Chris); Director Digital; DG Economy; Anson S (Sam); Gil O (Oonagh)  
**Cc:** DG Economy; [REDACTED]  
**Subject:** RE: Programme for Government proposals

Chris

(Removing Ministers from copy list for now)

It's a bit disappointing that the [REDACTED] hasn't gone forward though I'm not wholly clear from your description below whether it has or hasn't since [REDACTED] – grateful if you could clarify.

As well as responding to the specific 'ask' about 'future industries' we were also asked to put forward new proposals that respond to the FM's outline speech. [REDACTED]

Thanks  
R

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**From:** Gil O (Oonagh)  
**Sent:** 24 July 2017 12:33  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** PfG proposal

[REDACTED]

FM has fed back on the PfG proposal you were helping to develop & it is to progress to the next stage.

Can you send me and [REDACTED] the most up to date version so we can discuss further and draft appropriate text for PfG? I understand this needs to be tidied up and returned to Liz by Friday.

Likewise there's another opportunity to look across the other elements of the PfG & check for consistency/ overlap. Spread sheet to follow.

O

Oonagh Gil | Deputy Director | Enterprise and Cities | Directorate for Economic Development | Atlantic Quay | 150 Broomielaw | Glasgow | G2 8LU



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**From:** Rollison R (Richard) <[Richard.Rollison@gov.scot](mailto:Richard.Rollison@gov.scot)>  
**Sent:** Tuesday, 25 July 2017 08:30  
**To:** [REDACTED]  
**Subject:** pfg proposal

[REDACTED]

We didn't manage to catch up yesterday pm.

For the PfG proposal on increasing business R&D spend can you update the existing template by

[REDACTED]

We need to add revenue and capital costs and additional staff required by us and SE and others. The existing proposal includes some of that but if we go for a wider package as described above then we will need more money and more staff.

Hope that makes sense. I'm about in SAH this pm if you want to discuss.

R

Richard Rollison  
Deputy Director  
Innovation, Industries and Investment Division  
Directorate for Economic Development  
Scottish Government



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**From:** Rollison R (Richard)  
**Sent:** 25 July 2017 08:49  
**To:** [REDACTED]  
**Subject:** pfg proposal

[REDACTED]  
We didn't manage to catch up yesterday pm.

For the PfG proposal on increasing business R&D spend can you update the existing template by

- Stating the agreed target – 'doubling Business R&D Spend from £870m to £1.75bn by X

[REDACTED]

Hope that makes sense. I'm about in SAH this pm if you want to discuss.

R

Richard Rollison  
Deputy Director  
Innovation, Industries and Investment Division  
Directorate for Economic Development  
Scottish Government

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**From:** Anderson D (David)  
**Sent:** 25 July 2017 09:22  
**To:** [REDACTED]  
**Cc:** Rollison R (Richard)

**Subject:** ESF and PfG - text  
**Importance:** High

[REDACTED]  
This is the text from the current draft of the PfG [REDACTED]  
David

*European structural funding*

[REDACTED]

David Anderson  
Deputy Director, Head of European Structural Funds | Scottish Government | 5 Atlantic Quay | 150  
Broomielaw | Glasgow G2 8LU

=====

**From:** Anderson D (David)  
**Sent:** 25 July 2017 09:33  
**To:** [REDACTED]  
**Cc:** Rollison R (Richard)  
**Subject:** RE: ESF and PfG - text  
**Importance:** High

Further text in PfG on this fund

[REDACTED]  
David

David Anderson  
European Structural Funds

**From:** Anderson D (David)  
**Sent:** 25 July 2017 10:21  
**To:** [REDACTED]  
**Cc:** Rollison R (Richard); [REDACTED]  
**Subject:** RE: ESF and PfG - text

Given the tight deadlines on this, I have made changes along the lines I proposed in the erdm version (pages 23 & 29).

The amended versions now read:

Page 23:

*European structural funding*

[REDACTED]

And, Page 29:

[REDACTED]

David

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**From:** Anderson D (David)  
**Sent:** 25 July 2017 15:25  
**To:** [REDACTED] Gil O (Oonagh)  
**Cc:** [REDACTED]  
**Subject:** RE: pfg proposal

[REDACTED]  
[REDACTED]

Thanks

David

David Anderson  
European Structural Funds

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**From:** Gil O (Oonagh)  
**Sent:** 25 July 2017 16:48  
**To:** [REDACTED] Anderson D (David)  
**Cc:** [REDACTED]  
**Subject:** RE: pfg proposal

Colin and I spoke – see what you think of this.

[ATTACHMENT BELOW]

O

## PFG 'BOLD' PROPOSALS

### SUMMARY

#### TARGET EU FUNDS ON POST-INDUSTRIAL SCOTLAND

#### DRAFT TEXT FOR PFG

[REDACTED]

#### DETAIL

[REDACTED]

##### *Boosting City Deal skills delivery*

City Region Deals in Scotland are delivering new collaborative partnerships focused on long-term strategic approaches to improving regional economies. They have paved the way for new forms of regional governance and the June 2017 report of Phase 2 of the Enterprise and Skills Review gave a commitment to ensuring “that every community is represented by a Regional Partnership focussed on the needs of the economy of their area”. Regional Partnerships are being established across the country, building on those city region deal areas that already exist. We will ensure that future deals utilise the inclusive growth model to inform prioritisation of projects within the deals to prioritise and evidence their impact on driving inclusive growth.

[REDACTED]

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**From:** Anson S (Sam)

**Sent:** 26 July 2017 14:44

**To:** [REDACTED]

**Cc:** [REDACTED] Rollison R (Richard); McAloon HC (Hugh); [REDACTED]

**Subject:** FW: pfg proposal

[REDACTED]

Thanks for sharing this – very helpful to see it at this stage.

This looks good, and I suspect we can go further still to hook it into broader messages. Forwarding to each of:

- [REDACTED] for general oversight / narrative interests
- [REDACTED] for oversight interest plus particular skills focus
- [REDACTED] for oversight interest plus reference to rural issues
- Richard re links to [REDACTED]
- [REDACTED] for skills
- [REDACTED] for rural issues

Sam

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**From:** Rollison R (Richard)  
**Sent:** 26 July 2017 15:43  
**To:** Anson S (Sam); [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: pfg proposal

[REDACTED]  
R

**Sam Anson | Economic Development Directorate | Scottish Government**

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**From:** Rollison R (Richard)  
**Sent:** Thursday, 27 July 2017 11:19  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: Confidential - Pfg. innovation - BERD

To check

[REDACTED]

Though this is an FM ask so I am assuming there is a separate budget process for those?

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**From:** Rollison R (Richard)  
**Sent:** 28 July 2017 09:20  
**To:** DG Economy  
**Cc:** Anson S (Sam); [REDACTED]  
**Subject:** PFG PROPOSALS

All

I attach proposals for the following 'PfG' ideas requested by the First Minister.

<p><b>[Invest [REDACTED] in innovation]</b>  <b>Now "Double expenditure on business R&amp;D"</b></p>	 <p><del>Summary - PFG - Double R&amp;D ...</del></p> <p>[REDACTED]</p>
<p><b>Target EU funds on post-industrial Scotland</b></p>	 <p><del>PFG - DED Template - temp...</del></p>
<p><b>Establish a National Investment Bank</b></p>	<p>Work in progress – but too many people on leave and too many other things to do to make any real progress on this - no proposal today</p>
<p>[REDACTED]</p>	<p>To follow</p>
<p>[REDACTED]</p>	<p>Original proposal was not submitted to FM but [REDACTED] work is in hand to develop this further and ensure PfG text draws out [REDACTED]</p>

## PFG 'BOLD' PROPOSALS

### SUMMARY

#### NEW PFG PROPOSAL FOLLOWING FM FEEDBACK

***To double Business Enterprise Expenditure on R&D (BERD) from £0.87bn per annum to £1.75bn by 2025.***

[REDACTED]

### BACKGROUND

Increasing our BERD spend will contribute to Scotland's economic performance by directly increasing our GVA. Figures from both SE and estimates from SG analysts using input/output tables, show a very similar and positive picture. (See Tables 1 and 2). For example, a £75m R&D grant spend per annum could lever additional direct business expenditure on R&D of some £450m per annum - this would inject some £600m of GVA into the Scottish economy and drive up Scotland's overall BERD spend to at least £1,396m. [REDACTED]

In addition, there would be positive spillover effects such as increased inward investment, improved business awareness of R&D and innovation and an increase in the number of BERD related jobs. SE evaluations also show that R&D support has low levels of displacement which provides us with some confidence that the money injected here would not simply replace private sector spend<sup>1</sup>.

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Leverage - assumes £1 of SE R&D support levers an **additional** £6 of private sector R&D spend (Source: Scottish Enterprise)

R&D jobs - assume £85k R&D spend = 1 R&D job (Source: Scottish Government BERD statistics)

Assume GVA return from SE R&D spend ratio is 8 to 1 over 10 year period (if R&D commercialised) - source Scottish Enterprise evaluation evidence

Current performance Scottish BERD £871k = 2015 data (Scenarios 1-4 assumes that non-SE supported BERD does not change)

<sup>1</sup> SE evaluation evidence suggests that additionality is high/deadweight is low:

"Scottish Enterprise support has been instrumental in helping companies deliver R&D activities in Scotland; over half of all projects (58%) would not have happened at all in Scotland without support. Almost a fifth (18%) would have been smaller **and** delayed, while 15% would have been done later, and a further 12% would have been smaller in scale. None of the companies that received the grant stated that the project would have gone ahead at the same time and to the same scale with no grant. This suggests that the projects would not have gone ahead in Scotland, or in the same form without the grant."

**Table 1: Estimated short term impact on £100m BERD of increasing SE R&D Grant Funding (Source : SG)**

Input-Output Direct + Indirect		Direct + Indirect + Induced	
FTE Jobs	GVA	FTE Jobs	GVA
1,973	127	2,356	153
3,945	254	4,712	306
5,918	380	7,068	458
7,890	507	9,425	611
9,863	634	11,781	764

Scottish Government Input-Output Model 2014 v0.2 (HMT deflators as at 30 June 2017) (2017 Prices)

£100m Research & Development short term spending impacts (£89.3m in Basic Prices, assumes zero Final Demand Imports)

**Table 2: Estimated impact on BERD of increasing SE R&D Grant Funding (Source: SE, SG, ONS for BERD)**

	SE R&D spend £m	Leveraged R&D £m	Total SE & leveraged (SE "BERD") £m	Total Scottish BERD £m*	SE & leveraged as % Scottish BERD	Potential short term R&D jobs as result of SE & leveraged R&D	Potential GVA £m over 10 yrs (cumulative) as result of SE & leveraged R&D
Current performance	25	150	175	871	20	2,059	200
Scenario 1	50	300	350	1,221	29	4,118	400
Scenario 2	75	450	525	1,396	38	6,176	600
Scenario 3	100	600	700	1,571	45	8,235	800
Scenario 4	125	750	875	1,746	50	10,294	1,000

[REDACTED]

### WHAT IS THE SCALE OF THE ASK?

Scotland's current (2015) expenditure on R&D (known as Gross Expenditure on R&D or GERD) is £2.2bn or 1.46% of GDP, compared to 1.68% for the UK. GERD is made up of Business Expenditure on R&D (BERD), Higher Education Expenditure on R&D (HERD) and Government Expenditure on R&D (GovERD). Definitions of these are at Annex A.

As set out in Table 3 below, Scotland already performs well on HERD but relatively poorly on BERD. In fact, in terms of BERD spend as a share of GDP, Scotland is currently in the bottom quartile of OECD countries. Furthermore, along with Latvia, Greece and Chile, Scotland is one of only four OECD countries where the GDP share of HERD is more than the GDP share of BERD.

**Table 3: R&D Expenditure by Category for selected countries, % of GDP, 2015**

	<b>BERD</b>	<b>HERD</b>	<b>GovERD</b>	<b>GERD</b>
<b>Scotland</b>	<b>0.60</b>	<b>0.75</b>	<b>0.11</b>	<b>1.46</b>
UK	1.11	0.43	0.11	1.68
<i>OECD</i>	<i>1.65</i>	<i>0.43</i>	<i>0.27</i>	<i>2.40</i>
<i>EU 28</i>	<i>1.23</i>	<i>0.45</i>	<i>0.24</i>	<i>1.95</i>
Germany	1.95	0.50	0.43	2.87
Denmark	1.89	0.99	0.07	2.96
Austria	2.18	0.75	0.14	3.07
Sweden	2.27	0.88	0.11	3.26
Finland	1.94	0.71	0.24	2.90

*Source: Gross Expenditure on Research & Development 2015, Scottish Government*

[REDACTED]

### **EXISTING COMMITMENTS AND TARGETS**

The National Performance Framework already includes a national indicator of ‘*Increasing research and development spending*’. This is measured in terms of the gap in our performance with the EU average in terms of Gross Expenditure on R&D as a percentage of GDP, not specifically BERD. Although Scotland’s GERD has increased from 1.19% of GDP in 2006 to 1.46% of GDP in 2015, the EU has improved at the same rate. Consequently, there has been no improvement in the national indicator.

The innovation chapter of the E&S review crystallises this ambition further by stating that:

*We will build on recent improvements in our innovation performance and reduce the gap in Gross Expenditure on Research and Development (GERD) between Scotland and the EU, with a specific focus on improving our Business Enterprise Research and Development (BERD) performance year on year”.*

It also includes a draft set of innovation KPIs, including GERD as a % of GDP.

[REDACTED]

Richard Rollison  
DD – Innovation, Industries and Investment:  
14 July 2017

## **PFG 'BOLD' PROPOSALS**

### **SUMMARY**

#### **TARGET EU FUNDS ON POST-INDUSTRIAL SCOTLAND**

#### **DRAFT TEXT FOR PFG**

[REDACTED]

#### **DETAIL**

[REDACTED]

##### *Boosting City Deal skills delivery*

City Region Deals in Scotland are delivering new collaborative partnerships focused on long-term strategic approaches to improving regional economies. They have paved the way for new forms of regional governance and the June 2017 report of Phase 2 of the Enterprise and Skills Review gave a commitment to ensuring “that every community is represented by a Regional Partnership focussed on the needs of the economy of their area”. Regional Partnerships are being established across the country, building on those city region deal areas that already exist. We will ensure that future deals utilise the inclusive growth model to inform prioritisation of projects within the deals to prioritise and evidence their impact on driving inclusive growth.

[REDACTED]

DED - E&S  
July 2017

**From:** Rollison R (Richard)  
**Sent:** 28 July 2017 10:29  
**To:** DG Economy  
**Cc:** Anson S (Sam); [REDACTED]  
**Subject:** RE: PFG PROPOSALS

And here is update on [REDACTED] and a new/late request from FM for [REDACTED – OUT OF SCOPE] (sent earlier this week but now sending again)

[REDACTED]

## **PFG 'BOLD' PROPOSALS**

### **SUMMARY**

#### **SUGGESTED PFG PROPOSAL**

[REDACTED]

#### **BACKGROUND/DETAIL**

[REDACTED]

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**From:** Rollison R (Richard)  
**Sent:** 28 July 2017 16:35  
**To:** DG Economy; [REDACTED]  
**Cc:** Anson S (Sam); [REDACTED]  
**Subject:** pfg - [REDACTED]

[REDACTED]

And here's the latest version of this

That's everything on specific proposals for today.

Richard Rollison  
Deputy Director  
Innovation, Industries and Investment Division  
Directorate for Economic Developemnt  
Scottish Government

## PFG 'BOLD' PROPOSALS

### SUMMARY

### SUGGESTED PFG PROPOSAL

[REDACTED]

### BACKGROUND/DETAIL

[REDACTED]

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**From:** Lloyd E (Elizabeth)  
**Sent:** Wednesday, 23 August 2017 15:30  
**To:** [REDACTED] DG Economy; [REDACTED] Anson S (Sam); McAllister C (Colin); [REDACTED] Rollison R (Richard); [REDACTED]  
**Subject:** RE: FM's PFG decisions

I think the R&D spend...if it has clearance is the one to go with for the speech [REDACTED]

Liz

**Elizabeth Lloyd**  
Chief of Staff to the First Minister  
St Andrew's House  
Regent Road  
Edinburgh EH1 3DG

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**From:** Rollison R (Richard)  
**Sent:** 23 August 2017 19:44  
**To:** Lloyd E (Elizabeth); [REDACTED] DG Economy; [REDACTED] Anson S (Sam); McAllister C (Colin); [REDACTED] McAllan M (Mary); DG Economy  
**Subject:** Re: FM's PFG decisions R+d - money and target

All

[REDACTED]

Views please

Richard Rollison  
Deputy Director  
Innovation, Industries and Investment Division  
Directorate for Economic Development  
Scottish Government