
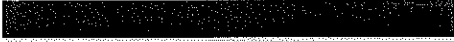



## BRIEFING FOR THE FIRST MINISTER

### NATIONAL ECONOMIC FORUM

16 MAY 2018

<b>Key message</b>	<i>The theme of the conference is: Driving Forward the Rural Economy. This is the 20th National Economic Forum</i>
<b>What</b>	<p><i>The NEF provides Ministers with an opportunity to directly engage with senior business and trade union representatives and to articulate Scottish Government priorities. It also demonstrates the Government's commitment to engage fully with a broad range of business interests and enables businesses to influence the development and effective delivery of key policy initiatives.</i></p> <p><i>You have agreed to deliver the keynote speech following which you will take part in a Q &amp; A with Lindsay McQuade CEO Scottish Power Renewables, Steve Dunlop current Chief Executive Scottish Canals and Cabinet Secretary for Rural Economy and Connectivity – Mr Ewing MSP (See <b>full programme Annex A.</b>)</i></p>
<b>Why</b>	<i>Part of the programme of engagement with businesses and business organisations across Scotland to promote sustainable economic growth.</i>
<b>Who</b>	<b>Approximately 180 delegates are attending the conference, including invited business and business representatives.</b>
<b>Where</b>	<i>Easterbrook Hall, Crichton Campus, Dumfries</i>
<b>When</b>	<i>11:00 – 12:15</i>
<b>Likely themes</b>	<i>Rural economy</i>
<b>Media</b>	<i>FM comms to advise</i>
<b>Supporting official</b>	  
<b>Attached documents</b>	<i>See contents list and separate Annex List attached</i>

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## ANNEX A – NATIONAL ECONOMIC FORUM – PROGRAMME

### Driving Forward the Rural Economy – 16 May 2018

#### Timings

10:15 – 11:00 (45 mins)	Registration
11:00 – 11:05	<b>Mr Wheelhouse MSP, Minister for Business Innovation and Energy</b> welcomes delegates and introduces the <b>First Minister</b> (5 mins)
11:05 – 11:20 (15 mins)	<b>First Minister</b> <i>Opening Address</i>
11:20 – 11:40 (40 mins)	Business keynote addresses – <b>Lindsay McQuade, Scottish Power Renewables</b> and <b>Steve Dunlop Scottish Canals</b>
11:40 -12:15 (35 mins)	Q&A Panel with <b>First Minister, Lindsay McQuade, Steve Dunlop and Cabinet Secretary for Rural Economy and Connectivity, Mr Ewing MSP</b> , facilitated by Mr Wheelhouse
12:15 – 13:00 (45 mins)	Networking Lunch
13:00 – 14:25	Discussion groups – Chaired by Minister / facilitated by business (90 mins) leaders <ul style="list-style-type: none"><li>• Creating a new Enterprise Agency for the South of Scotland</li><li>• National Council of Rural Advisers: 'Changing the Rules of the Game'</li><li>• Developing the Young Workforce – Building a bridge between education and employers</li><li>• Energy supply chains</li><li>• Digital opportunities in rural economies</li><li>• Natural capital</li><li>• Sustainable tourism</li></ul>
14:30 - 14:35	Mr Ewing welcomes delegates back for afternoon session
14:35 – 14:45 (10 mins)	Business keynote <b>Alain Dupeyras</b> , Head of the Regional Development and Tourism Division OECD
14:45 – 15:20 (35 mins)	Q & A Panel facilitated by Cabinet Secretary for Rural Economy and Connectivity, Mr Ewing MSP, <ul style="list-style-type: none"><li>• <i>Deputy First Minister &amp; Cabinet Secretary for Education and Skills, Mr Swinney MSP</i></li><li>• <i>Cabinet Secretary for Economy, Jobs and Fair Work, Mr Brown MSP</i></li><li>• <i>Cabinet Secretary for the Environment, Climate Change and Land Reform, Roseanna Cunningham MSP</i></li><li>• <i>Cabinet Secretary for Culture, Tourism and External Affairs, Fiona Hyslop MSP</i></li><li>• <b>Alain Dupeyras</b>, Head of the Regional Development and Tourism Division OECD</li></ul>
15:20 – 15:30 (10 mins)	Closing address from Deputy First Minister
15:30	NEF Close

ANNEX B - BIOGRAPHIES

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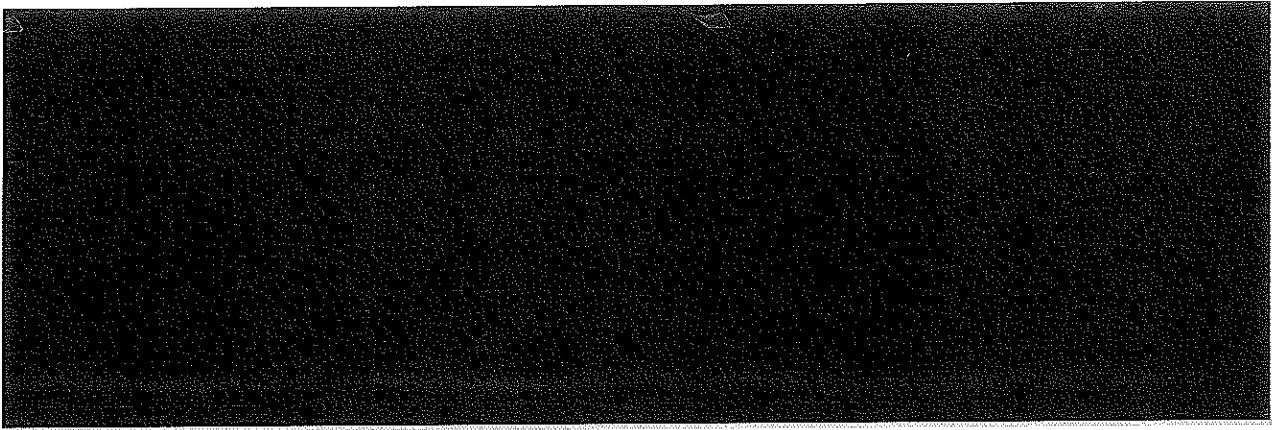
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## ANNEX 1 – SCOTLAND'S ECONOMIC PERFORMANCE GENERAL BRIEF

### Top Lines

- Scotland's economic performance strengthened in 2017 – the economy is growing, employment has increased to over 2.64 million people and unemployment has fallen.
- Scotland's economy grew in the final quarter of 2017 – its fourth consecutive quarter of positive growth (0.3%).
- Over the past year, unemployment in Scotland has fallen and the number of people in work has risen by 50,000.
- Between 2007 and 2016, Scotland's productivity growth has been higher than any other country or region of the UK, including London.

### Recent Performance

- Scotland's economy strengthened in 2017, growing 0.8% over the calendar year, compared to growth of 0.2% in 2016 (UK grew 1.8% over same period).
- Stronger growth in 2017 was supported by moderate growth in the Services sector alongside a pick-up in Production sector output.
- Growth has been offset by contraction in the Construction sector as the sector adjusts back to its long run trend following exceptionally fast growth in 2015.
- The Production sector posted its first calendar year of positive growth since 2014 (1.5%), supported in part by the impact of the low value of Sterling on export activity and the pick-up in economic sentiment in the oil and gas sector.
- Scotland's unemployment rate (4.2%) is lower than the G7 and OECD averages.
- HMRC Regional Trade figures showed Scotland's annual goods exports increased by 19% to 2016 and 2017. This is higher than the overall UK rate (13%) and the highest of any UK nation.

### Scotland's economic fundamentals have been strong over the past 10 years

- Employment is now 81,000 higher than at its pre-recession peak (Mar-May 2008).
- Despite the dip in productivity over the last year, Scotland's Productivity (output per hour worked) levels have increased by 5.4%, compared to the UK average of 1.7%.
- The number of registered businesses in Scotland has grown by 17% since 2007 to an all-time record level of 176,400 in 2017.
- Business Expenditure on Research & Development (BERD) rose by 70% in real terms since 2007 to £1.07 billion – surpassing £1 billion for the first time ever.
- Export Statistics Scotland show that the value of Scotland's international exports (goods and services) increased by 45% between 2007 and 2016 (from £20.4 billion to £29.8 billion).
- Since 2007, Scotland has secured more FDI projects than any part of the UK outside London.

### Looking forward, Brexit represents a key risk to the economy.

- The IMF (WEO Apr 2017) project UK growth to slow to 2019 with business investment expected to remain weak in light of heightened uncertainty about post-Brexit arrangements (page 51).
- Our analysis shows a 'hard-Brexit' threatens to cost our economy £12.7 billion (£2,300 per person) a year by 2030, compared to remaining in the EU.
- UK Government analysis [published 8 March] confirms these risks. It shows:
  - Reverting to WTO trading rules would reduce growth by 8%.
  - A Free Trade Agreement with the EU would reduce growth by 5%.
  - EEA membership would lower growth by 2%.
- The EU is the largest single market for Scotland's international exports, with exports worth £12.7 billion in 2016.
- Fraser of Allander estimates 134,000 Scottish jobs are supported by EU trade.
- The latest commentary by the Fraser of Allander makes clear, the decision to leave the EU will damage Scotland's long-term growth prospects.
- It is already having an impact. The OECD forecast (13 March) that UK GDP growth in 2018 will be lower than in the USA, Canada, Australia, France, Germany, Italy and the Euro Area.

## Scotland's Economic Outlook

- Independent forecasts present a slightly stronger outlook for growth over the next couple of years, however the pace of growth is expected to remain below its long run trend rate.
- The Fraser of Allander's Scottish GDP forecasts for 2019 and 2020 are higher than the corresponding OBR forecasts for the UK, whilst their unemployment forecasts are lower.
- The Scottish Fiscal Commission projects that Scotland will close the gap with the UK in terms of GDP growth per person over the forecast period.
- The gap in GDP growth overall is – as the Scottish Fiscal Commission says – largely due to slower population growth.
- The SFC assume Scotland's population to grow at half the rate the OBR assume for the UK.
- This means that while there is a gap in total GDP growth between the Scottish Fiscal Commission and OBR forecasts, it is much narrower for GDP per head.
- By the end of the forecast period (2022) GDP per capita is forecast to grow by 0.9% a year in both Scotland (SFC) and the UK (OBR).

		2017 (Outturn)	2018	2019	2020
GDP Growth	Scotland (Fraser)	0.8%	1.2%	1.4%	1.4%
	UK (OBR)	1.8%	1.5%	1.3%	1.3%
Unemployment Rate	Scotland (Fraser)	4.2%	4.5%	4.3%	4.1%
	UK (OBR)	4.4%	4.4%	4.5%	4.6%

## CLAIM: Scotland's economy is lagging our international peers.

- The Scottish Fiscal Commission is clear Brexit will have a negative impact on Scotland's economy, reducing growth in trade, productivity and investment.
- This is reflected in the forecasts and it is therefore unsurprising that Scotland's growth is expected to be lower than our international peers. The pace of UK growth is forecast to slow:
  - OBR forecast the pace of UK growth to slow this year and next.
  - OECD forecast the UK will be the slowest growing G7 nation in 2018 (forecast to grow 1.3%), and slower than the Euro area as a whole.
  - European Commission forecast UK growth to be the slowest in the EU in 2018 and 2019.

## The Budget sets out a growth package of key measures to support the economy unlock innovation and drive increased productivity.

- £96 million to deliver the most attractive business rates package in UK with the increase to the rates poundage capped at CPI inflation.
- A 64% increase of £270 million in the Economy, Jobs and Fair Work budget as part of a total investment of £2.4 billion in enterprise and skills.
- A 70% uplift in funding for investment in business Research & Development.
- £18 million in 2018-19 as part of a £65 million package of investment for the National Manufacturing Institute to make Scotland a global leader in advanced manufacturing.
- Setting aside resources of £340 million to provide initial capitalisation for the Scottish National Investment Bank.
- 70% of taxpayers paying less in income tax next year, assuming their income doesn't change.
- An ambitious programme of infrastructure investment for 2018-19 of more than £4 billion, in line with the PfG commitment to invest £20 billion over the life of this parliament.
- Investing £1.2 billion in our transport infrastructure, including key road projects and further electrification of the rail network.

Contact 



## ANNEX 2 – LABOUR MARKET – TO BE UPDATED AT 9.30am, 15 MAY 2018

### Top Lines

- Scotland's unemployment rate has been lower or the same than the UK's for 13 of the past 14 monthly labour market statistics releases.
- This month Scotland's unemployment rate is the same as the UK's (4.2%).
- There are now 2,645,000 people aged 16 + in employment. This is up by 50,000 over the past year and 81,000 above the pre-recession peak (Mar-May 2008).
- More people are moving into full-time jobs. Full-time employment is up 29,000 over the year and part-time employment is up by 13,000 over the year.
- The number of self-employed has decreased by 14,000 over the year to 298,000.
- Scotland's employment rate for women (71.9%) and young people (57.3%) is higher than the UK's (71.0% and 53.9%).
- Scotland's unemployment rate for women (3.4%) and young people (9.8%) is lower than the UK's (4.2% & 11.3%).

### Headline Labour Market Indicators for Scotland and UK – Dec 2017 to Feb 2018

	Indicator	Rate (%)	Change (%pt) over		Level ('000)	Change ('000's) over	
			Quarter	Year		Quarter	Year
Scotland	Employment	75.0	-0.1	1.6	2,645	-17	50
	Unemployment	4.2	0.1	-0.3	115	3	-8
	Inactivity	21.7	0.0	-1.3	741	0	-45
UK	Employment	75.4	0.1	0.8	32,262	55	427
	Unemployment	4.2	-0.1	-0.4	1,423	-16	-136
	Inactivity	21.2	0.0	-0.4	8,731	-2	-154

*Note: Employment rate, inactivity rate and inactivity level cover those aged 16-64; unemployment rate covers all those economically active; employment and unemployment levels cover those aged 16+.*

### Scotland outperforms the UK on labour market outcomes for women and young people

- Compared with the UK, Scotland's female employment rate is higher (71.9% vs. 71.0%) and unemployment rate is lower (3.4% vs. 4.2%).
- Scotland's female inactivity rate is lower than the UK's (25.5% v 25.8%).
- Versus the UK, Scotland's youth employment rate is higher (57.3% vs. 53.9%) and unemployment rate lower (9.8% vs. 11.3%).
- Scotland's youth inactivity rate is lower than the UK's (36.5% vs. 39.3%).

**The Scottish Government is taking action to support people entering the labour market, including:**

- In April last year, we launched the transitional employment services – Work First Scotland and Work Able Scotland.
- 4,472 people were supported by these programmes between April and December 2017.
- We are now delivering a new distinctly Scottish programme of employment support, Fair Start Scotland, which commenced in April 2018.
- Fair Start Scotland aims to support 38,000 people into employment, including those facing barriers to enter the labour market, over three years.
- Scottish Enterprise recently awarded a £2.35m Regional Selective Assistance Grant to recruitment firm STthree to create a Shared Service Centre in Glasgow.
- This investment is expected to create 272 jobs in the first year, 96 are potentially graduate posts. All jobs will pay above the Scottish Living Wage.
- We will continue to work to support employment and our priority remains developing the conditions for economic growth.

This includes through taking forward our multi-billion pound infrastructure plan, and the Scottish Growth Scheme.

Contact 

## ANNEX 3– KEY ACTIONS TO GROWN THE ECONOMY

**ISSUE:** We are taking actions under the 4 strategic priorities (the 4'I's) identified in Scotland's Economic Strategy to grow Scotland's economy, and ensure it remains resilient.

### Top Lines - Significant Actions to Support the Economy

- **We are taking action to support long term economic growth, including:**
  - Substantial investments in transport and digital connectivity and supporting businesses through the £500 million Scottish Growth Scheme;
  - Appointing Benny Higgins to lead work to establish a Scottish National Investment Bank to support investment and growth;
  - Established a Board of Trade, and creating permanent trade representation in Paris to add to Innovation and Investment Hubs in Berlin, London and Dublin;
  - Committed to reducing the burden of Air Departure Tax;
  - Investing more than £1 billion in our universities in 2017-18, and supporting collaborations through our Innovation Centres; and
  - Increasing Modern Apprenticeship opportunities to 30,000 p.a. by 2020.
- **We are building on the successes of our enterprise and skills agencies, developing a system of support that is greater than the sum of its parts.**
  - A Strategic Board is in place, and will seek to maximise the impact of the collective investment we make in enterprise and skills development and to create the conditions for delivering inclusive growth.
  - Creating a new enterprise agency in the South of Scotland, with an interim Economic Partnership in place, backed with £10 million of investment.

### Internationalisation

#### **1. We're boosting Scotland's trade, exports and international connections.**

- We've established a Board of Trade to support delivery of our Trade & Investment Strategy; and appointed 4 Trade Envoys to champion Scottish international trade.
- SDI is doubling the number of people working for it in Europe.
- We are establishing a new hub in Paris in addition to our Innovation and Investment Hubs in Berlin, London and Dublin, and developing our existing presence in Brussels into a hub, plus upgrading our presence in Canada.
- We aim to reduce the burden of Air Departure Tax by 50% by the end of this Parliament and to abolish the tax altogether when resources allow, to help improve connectivity and generate sustainable growth.

### Investment

#### **2. We'll be providing support to growth businesses: "Investing in ambition".**

- We announced a £500 million Scottish Growth Scheme targeting, over 3 years, high growth, innovative and export focused SMEs; with two components in place:
  - First product, the £200 million Scottish–European Growth Co-investment Programme, provides equity funding above £2 million; and the new, additional funding to the SME Holding Fund to support equity funding up to £2 million.

#### **3. We're increasing the supply of affordable housing in Scotland.**

- We are committed to delivering at least 50,000 affordable homes, backed by more than £3 billion investment by the end of this Parliament.

#### **4. We've introduced the Planning Bill to support efficient delivery of the development our communities need.**

- To support sustainable economic growth, secure delivery of more housing and infrastructure, and give communities more influence over their areas future.

#### **5. We're supporting growth through significant infrastructure investment.**

- Our latest infrastructure investment pipeline shows that projects totalling almost £5 billion are currently in, or due to start construction during 2018.
- 6. We're improving Scotland's connectivity, through strategic transport investments.**
- We opened the Queensferry Crossing, investing £1.35 billion; and the £500 million M8, M73, M74 Motorway Improvements Project, completing the central belt motorway network and improving the link between Edinburgh and Glasgow.
  - We're investing over £2.3 billion in other major transport projects including the Edinburgh Glasgow Improvement Programme and the Aberdeen Western Peripheral Route/Balmedie-Tipperty scheme.
- 7. We're investing to improve Scotland's Digital Connectivity.**
- We're making a £600 million investment in digital infrastructure, to support the initial phase of our 'Reaching 100%' programme.
  - Building on the success of the DSSB programme, this investment will deliver a future-proofed, national fibre network; placing Scotland as one of the best connected places in Europe, and underpinning our future economic growth.
  - We are investing £25 million in the Scottish 4G Infill programme to expand 4G mobile coverage into selected mobile hotspots.
- 8. We're supporting investment in Scotland's cities and regions.**
- We're a full partner in all the City Region Deals agreed in Scotland, matching and in some cases exceeding financial contributions made by the UK Government.
  - We have committed to investing up to £1.08 billion over the next 10 to 20 years for Deals in Glasgow, Aberdeen, Inverness and Edinburgh and South East Scotland.
  - We will continue work to support growth deal proposals covering all of Scotland; in both City and non-city Regions.
  - We are supporting the development of Regional Economic Partnerships throughout Scotland, which seek to align priorities and resources across public, private, and third sector partners in order to stimulate inclusive economic growth.
  - In 2016-17, businesses across a wide range of sectors accepted 65 offers of Regional Selective Assistance totalling £16.2 million from Scottish Enterprise, which is expected to create or safeguard almost 1,630 jobs.
- 9. We're taking action to support small businesses across the country.**
- Following engagement, we have accepted all outstanding Barclay recommendations, with the exception of curtailment of charity relief for ALEOs and universities. Special independent schools will retain relief.
  - An implementation plan was published on 14 December.
  - We're going 'beyond Barclay' with additional measures - new properties will only pay rates once first occupied.
  - We're capping the poundage uplift by CPI and matching the English poundage rate in 2018-9; and, implementing a further real-terms cap of 12.5% (15.88% in cash) on 2018-19 rates increases for Aberdeen and Aberdeenshire offices, and for hospitality properties excluding the very largest properties.

## **Innovation**

### **10. We're building a culture of innovation and entrepreneurship.**

- We're investing £48 million in a National Manufacturing Institute for Scotland (NMIS) in Renfrewshire, with Strathclyde as anchor university.
- We're developing a co-ordinated programme of mission orientated challenges including the £9 million CAN DO Innovation Challenge Fund.
- We're providing up to £600k funding for CivTech, to scale up their activity to address public sector needs with business led innovation;
- We're launching a £500k College Innovation Fund to support Scotland's colleges to work with businesses on innovation activity;
- We're providing an additional £45m to SE for R&D grant support over the next 3 years; total R&D grant spend will exceed £110m leveraging in excess of £500m.

**11. We're building on the excellence of our Universities, and supporting commercialisation of world-class research in Scotland.**

- We have invested over £6 billion in the higher education sector over the last six years, with a further £1 billion set to be allocated in 2018-19.
- Continuing to support Innovation Centre programme through our commitment via the Scottish Funding Council of up to £120 million over 6 years, 2013-19.

**Inclusive Growth**

**12. We're equipping our young people for the future.**

- Through the Scottish Attainment Challenge, we're providing £750 million during the course of this parliament to tackle the poverty related attainment gap.
- We aim to have 30,000 apprenticeship starts a year by 2020. Therefore, the starts target was increased to 28,000 for 2018/19 (up from the 27,000 target in 2017/18) and will for the first time include Graduate Apprenticeships in this target.
- We're introducing a Job Grant: supporting young people aged 16-24 who have been out of work for six months or more (a one-off payment of £100 or £250 for people with children, plus a bus pass for three months) aiming to help meet the costs of getting into, or back into, employment.

**13. We're expanding funded early learning and childcare to improve young children's outcomes and reduce barriers to parents participating in the economy.**

- Delivering 600 hours per year of funded high-quality early learning and childcare for all 3 and 4 year olds and eligible 2 year olds, and working towards 1140 hours by the end of this Parliament.

Contact 

## ANNEX 4 - TAX

### Income Tax - our new policy is fairer, more progressive and fiscally responsible

- We now have a **settled structure in income tax policy** providing certainty over the remainder of the current session of Parliament
- Our tax changes raise an **additional £219 million in 2018/19** to support public services, tackle poverty and support Scotland's economy
- The Scottish Fiscal Commission has said that **the changes will not damage the economy** and forecast that **income tax receipts in Scotland will grow faster than in the rest of the UK over the next five years**
- **IMF analysis** finds little evidence that increasing the progressivity of the income tax system reduces economic growth
- Scotland's overall tax as a proportion of GDP is **below the OECD average**
- We are **protecting those on the lowest incomes** making the system fairer and more progressive, whilst ensuring those on the highest incomes make a proportionate contribution to funding public services
- With our income tax policy **we can reverse this year's real terms budget cut by the UK Government**
- The new starter rate, combined with an increase in the personal allowance, will result in **70% of Scottish income tax payers** (all those earning less than £33,000) paying less tax in 2018/19 than in 2017/18, on current incomes
- **55% of Scottish income tax payers** (all those earning less than £26,000) will pay less tax in 2018/19 than people earning the same amount and living in the rest of the UK

### Income Tax - general

- The additional revenue raised by Scottish income tax contributes to our **investment in Scotland's economy** delivering investment in infrastructure and additional support for business
- Scotland continues to be an attractive place to live, work and do business with **access to many free at the point of access public services** not available elsewhere in the UK
- The value of university tuition, personal care, child care, prescriptions, school meals, eye tests and concessionary travel outweighs the impact of our income tax policy
- Polling shows that **the Scottish public support our proportionate approach to taxation** - a YouGov poll for the Times (18 January 2018) found that more than half of Scots support income tax rises
- The UK Government has agreed that **Scottish tax payers will retain their eligibility for allowances and reliefs**

### Air Departure Tax – Highlands and Islands Exemption

- The introduction of ADT in Scotland will be deferred until the issues raised in relation to the H & I exemption have been resolved, **to ensure that the devolved powers are not compromised**
- The Scottish Government and UK Government will work closely in order to achieve this as soon as possible
- **We recognise that air connectivity is critical** for the H& I, and we are determined to deliver the best possible outcomes for the area.

### Air Departure Tax – general

- The Scottish Government has set a clear **aim to reduce ADT by 50% by the end of this Parliament** and we want to get on and deliver this
- The independent economic assessment of the 50% cut found that a cut could help boost international connectivity and generate sustainable growth – priorities that are even more pressing as a result of Brexit.
- We will continue to work with all airlines, and to support all Scotland's airports, to **grow the number of international routes to and from Scotland**

### Land and Buildings Transactions Tax (LBTT) - stakeholder criticism of higher LBTT rates at the upper end of the residential market

- Claims that LBTT is having a detrimental impact on the property market are not supported by the evidence from property experts themselves
- **The upper market is very resilient** according to evidence on residential transactions. In 2017/18, transactions in the residential market between £325,000 and £750,000 grew by 20% and transactions above £750,000 grew by 31%.
- We continue to monitor the market closely and engage with property sector stakeholders

#### **Land and Buildings Transactions Tax (LBTT) - Taxpayer benefits to date**

- 93% of those who have bought a property for £40,000 or more between April 2015 and October 2017 either paid less tax compared to UK Stamp Duty or no tax whatsoever
- Our LBTT reforms have taken over 25,000 house purchases out of tax altogether between April 2015 and October 2017

#### **Local taxation**

- We have no plans to introduce any new local taxes, but are **committed to making local taxation more progressive** whilst improving the financial accountability of local government and are open to further dialogue on options for reform

#### **Non- Domestic Rates**

- The **rates package for business in Scotland is very competitive** and encourages businesses to grow
- The total rates relief package next year is **worth more than £720 million** and includes the Small Business Bonus and the UK's first Nursery relief
- The package of reforms in response to the Barclay review is being taken forward at pace
- Our growth accelerator **will encourage business to invest** in their premises to drive improvements in productivity
- And **we have delivered on the number one ask of Scottish business** by capping annual uplift in the rates poundage at CPI rather than RPI

#### **Council Tax**

- **Council Tax is fairer** – with effect from April 2017 we implemented reforms for higher banded properties to increase local government revenues in a progressive manner, whilst protecting low to middle income households from these changes
- **Council Tax in Scotland is lower than in England.** In 2018/19, the average charge for all property bands, including E, F, G and H, is **between £300 and £450 lower in Scotland** than England, where the average increase for 2018/19 was 5.1% compared to the **3% cap in Scotland**
- In 2018/19 the **average Band D Council Tax bill in Scotland is £1,208** compared to £1,671 in England

#### **VAT Assignment**

- This increases the degree to which the Scottish Government's budget is funded by tax revenues raised in Scotland
- Assignment of Scottish VAT will begin in 2019/20 – this will be a transitional year with no impact on the Scottish budget – with full VAT assignment from 2020/21
  - The VAT assignment model uses an internationally recognised method for calculating regional VAT. This approach does not impose additional administration on businesses

Contact: 

## ANNEX 5 – SG FUNDING TRENDS

### Top Lines:

#### The cuts we've faced so far

- Scotland's total discretionary funding has been cut in real terms by 6.8% (£2.2.billion) between 2010-11 and 2017-18

#### The position for 2018-19

- In the current year, 2018-19, despite an increase of £37m in the Chancellor's Spring Statement announcement, Scotland's discretionary budget allocation has decreased in real terms by 1.1% (£342 m).

#### From 2018-19 to 2019-20 – the cuts still to come

- Despite the transfer of further responsibilities, Scotland's total budget (including non cash) will be reduced by 0.5% (£140 million) in real terms in the period between 2018-19 and 2019-20.
- Scotland's total discretionary budget allocation will be cut by £162 million in real terms (0.5%) between 2018-19 and 2019-20.
- Discretionary funding for day to day public services (Fiscal Resource budget) will be cut by 1.5% in real terms (£410m) between 2018-19 and 2019-20.

#### From 2010-11 to 2019-20 – the cumulative cuts since 2010

- Taken with the cuts already imposed, this means that by 2019-20 the Scottish Government's fiscal budget will be £2.7 billion (8.4%) lower in real terms than it was in 2010-11.
- Despite the Chancellor claiming to increase capital spending, Scotland's capital budget in 2019-20 will still be £117 million (3.1%) lower in real terms than it was in 2010-11.

SG Fiscal Budget (REAL TERMS)	2015-16	2016-17	2017-18	2018-19	2019-20	Change 18-19 to 19-20	Change 10-11 to 19-20	% Change 18-19 to 19-20	% Change 10-11 to 19-20
<b>Total (Fiscal) (real terms)</b>	<b>29,912</b>	<b>29,530</b>	<b>30,215</b>	<b>29,873</b>	<b>29,711</b>	<b>-162</b>	<b>-2,725</b>	<b>-0.5%</b>	<b>-8.4%</b>
Annual Change (£ Millions)		-382	685	-342	-162				
Annual Change (Percentage)		-1.3%	2.3%	-1.1%	-0.5%				

<b>Resource (Fiscal) (real terms)</b>	<b>27,065</b>	<b>26,584</b>	<b>27,027</b>	<b>26,503</b>	<b>26,093</b>	<b>-410</b>	<b>-2,609</b>	<b>-1.5%</b>	<b>-9.1%</b>
Annual Change (£ Millions)		-482	443	-523	-410				
Annual Change (Percentage)		-1.8%	1.7%	-1.9%	-1.5%				
<b>Capital (real terms)</b>	<b>2,847</b>	<b>2,947</b>	<b>3,189</b>	<b>3,370</b>	<b>3,618</b>	<b>249</b>	<b>-117</b>	<b>7.4%</b>	<b>-3.1%</b>
Annual Change (£ Millions)		100	242	181	249				
Annual Change (Percentage)		3.5%	8.2%	5.7%	7.4%				



◦ ANNEX 6 – BUDGET BILL 2018-19 – YEAR 2 BILL



**Background:**

The purpose of the Bill is to seek Parliamentary approval to the Scottish Government's spending plans for the financial year 2018-19. These plans were set out in the Scottish Draft Budget 2018-19 published on 14 December, three weeks after the Chancellor's UK Budget announcement on 22 November. Thereafter, they were scrutinised by the Parliamentary Committees, culminating in the Finance Committee's Report on the Budget Process published on 26 January 2018 and debated alongside Stage 1 of the Budget Bill on 31 January. The Budget Bill was approved by the Parliament on 21 February.

The spending plans detailed in the Draft Budget reflect improvements in Scotland's economy and takes steps to support sustainable economic growth across Scotland. The steps include a range of measures aimed at making Scotland a more prosperous country; tackling inequality; and protecting and reforming public services.

Following consideration of the recommendations of the Budget Process Review Group, who reported their findings shortly before the 2017 summer recess, the Written Agreement between the Scottish Government and the Finance and Constitution Committee on the Budget process is currently being revised by officials to take account of any changes to the budget process and this will inform the timetable for future, years.

**Contact:** 

## • ANNEX 7 – SCOTLAND'S FINANCES & TRADE UNDER INDEPENDENCE



### Top Lines

- Despite a challenging year for Scotland's economy, onshore tax revenue still grew by £3.3 billion in 2016-17 – the largest cash increase since 1998-99.
- Scotland's block grant is being cut by £2.7 billion (8.4%) in real terms over the decade to 2019-20.
- A hard Brexit is the biggest threat to our economic prospects, projected to cost our economy 8.5% of GDP by 2030 - equivalent to £2,300 per individual.

### GOVERNMENT EXPENDITURE AND REVENUE SCOTLAND (GERS)

#### Independence provides the opportunity to pursue policies tailored to Scotland's needs.

- Scotland's fiscal position under independence would depend on the policy choices made by future governments, growth seen in advance of independence and the level of spending Scotland chose to allocate to areas such as defence.
- GERS assigns Scotland a population share of UK defence spending (£3.1 billion) and debt interest payments (£3.2 billion). This takes no account of the £328 billion in revenue (2016-17 prices) the UK Government has received from the North Sea since production began.

#### Onshore revenue grew by £3.3 billion in 2016-17 – the largest cash increase since before devolution.

- Onshore revenues increased by £3.3 billion between 2015-16 and 2016-17. This is the largest cash increase since current records began in 1998-99.
- North Sea revenue increased from £56 million in 2015-16 to £208 million in 2016-17. This is the first increase since 2011-12.

#### Scotland's fiscal position is comparable to other parts of the UK.

- ONS analysis from May 2017 shows that Scotland's deficit in 2015-16 as a share of GDP was in line with the UK excluding London and the South East. Scotland's fiscal deficit, as a share of GDP, was also better than that of Wales, Northern Ireland, West Midlands, Yorkshire, North East and North West England.

#### Scotland's economic fundamentals remain strong.

- In 2016, Scotland's GVA per head and productivity were 3<sup>rd</sup> of the 12 nations and regions in the UK, behind only London and South East England.
- Between 2007 and 2016, Scotland's productivity growth has been higher than any other country or region of the UK, including London.

#### The real threat to Scotland's budget is continued UK Government austerity and a hard Brexit.

- Scotland's block grant is being cut by £2.7 billion (8.4%) in real terms over the decade to 2019-20.
- A 'hard-Brexit' threatens to cost our economy £12.7 billion (£2,300 per person) a year by 2030, compared to remaining in the EU (SPIE 2, 15 Jan)

- UK Government analysis confirms these risks (8 Mar). The BBC reports that under all scenarios considered, Scotland would suffer a relatively greater loss in economic output than the UK as a whole:
  - Reverting to WTO trading rules would reduce growth by 9% points after 15 years. (equivalent UK figure is 8%)
  - A Free Trade Agreement with the EU would reduce growth by 6% points (UK figure is 5%).
  - EEA membership would lower growth by 2.5% points (UK figure is 2%).

### **TRADE AND INDEPENDENCE**

#### **Scotland should not face a choice between exporting to the EU or UK – we can, and should, do both**

- It is clear that since the vote to leave the European Union, we must continue to be seen to be a country that is outward facing and open for business.
- The EU market is eight times the size of UK market (based on population), which highlights the importance of remaining in the Single Market.

#### **Independence would not damage Scotland's trade with the UK. It would be in both sides' interests to ensure that trade continued unimpeded.**

- Exports from the rest of the UK to Scotland were worth £58 billion in 2016.
- To put this into context, the only country the rest of the UK exports more to is the USA (£100 billion in 2016).

#### **Trade works both ways: exports from the rest of the UK to Scotland support over half a million jobs in the rest of the UK.**

- The FAI report on Brexit and the Sectors of the Scottish Economy reports that 134,000 jobs in Scotland are supported by trade with the EU.
- The Fraser of Allander Report also highlights that over 560,000 jobs in Scotland are supported by demand from the rest of the UK. However this works both ways with Scottish Government estimates showing that exports from RUK to Scotland support over half a million jobs in the UK

#### **The UK Government has said it would be unacceptable to go back to a hard border between Northern Ireland and Ireland and that they want as frictionless a border as possible between the UK and the EU.**

- The Scottish Government remains absolutely committed to upholding the Good Friday Agreement in all its parts and deplore any attempt to undermine this process. Although our position is clear that the whole of the UK should remain in the Single Market, if that was not possible Scotland should, like Northern Ireland, be entitled to a special arrangement.
- Indeed if it is possible for Northern Ireland to effectively remain in the single market or customs union, the case for Scotland doing so becomes a practical necessity.
- Anything else would put Scotland at a huge competitive disadvantage when it comes to attracting jobs and investment.

### **CURRENCY UNDER INDEPENDENCE**

- The SNP Growth Commission is considering monetary arrangements that would best support a strategy for sustainable growth in the wake of the EU referendum. This work will be published in due course.
- We will set out detailed proposals well in advance of any referendum to ensure that the people of Scotland have the information they need to make an informed choice on their future.

#### **Scotland would not be forced to join the Euro**

- No country can be compelled to join the euro, as the example of Sweden – which joined the EU 22 years ago and rejected the single currency in a referendum 14 years ago – proves.
  - **QUOTE:** Jean-Claude Juncker, the President of the European Commission, said: *"I don't intend to force countries to join the euro if they are not willing or not able to do so"*. (15 Sep 2017)
- There are simply no conceivable circumstances in which an independent Scotland would be "forced to join" the Eurozone. This assertion is incorrect on two counts.
  - First, the simple fact that nine EU Member States do not use the euro as their currency.

- Second, it ignores both the prerogatives Member States retain in determining whether, and when, it is appropriate to adopt the Euro, and the economic pre-conditions they must satisfy before joining. The EU does not specify a timetable for joining the Euro.

Contact



## ◦ ANNEX 8 – COMPOSITION OF THE DUMFRIES AND GALLOWAY LOCAL ECONOMY

### Local Economy Data for Dumfries and Galloway Total Share of the economy

- The Dumfries and Galloway economy generates 2.2% of Scottish Economic Activity (measured as Gross Value Added (GVA)).
- Using the RESAS classification for the rural economy, Dumfries and Galloway is considered as part of Mainly Rural Scotland, alongside similar areas such as Scottish Borders and Aberdeenshire.
- D&G accounted for 8.9% of the economy in Mainly Rural Scotland.
- In D&G, the employment rate is 76.8%, which is above the Scottish average of 77.5%.
- The unemployment rate in D&G is 2.8%, which is lower than the Scottish average of 4.1%.

### Industry sectors

Table 1 sets out GVA contributions by sector for Dumfries and Galloway, for the Mainly Rural category, and at the Scotland level. Table 2 illustrates employment figures for the areas by sector. The tables show that:

The largest sectors in the Dumfries and Galloway local economy are **Public Administration** (23% of GVA) and **Distribution, Wholesale and Retail** (22.4% of GVA) in 2015. The relevant shares for the for Mainly Rural category are around 21% of GVA for both sectors

The third largest sector in Dumfries and Galloway is **Manufacturing**, with 15% of GVA and 11% of the workforce employed in this sector. Whilst this is similar to the Mainly Rural average of 14% of the GVA, it is higher than the Scottish average share of 11% of GVA

**Real Estate** accounts for the fourth largest share of GVA in Dumfries and Galloway (11.8% of GVA). The sector accounts for 12% of the economy in the Mainly Rural category, but only 10% in Scotland overall.

More than **half of the workforce** in D&G is employed in the sectors **Public Administration, Health and Education** (30.6%) and **Distribution, Wholesale and Retail** (20.4%). This is similar for Mainly Rural areas and Scotland overall.

**Agriculture, Fishing and Forestry** is one of the smallest sectors in D&G and Mainly Rural areas with a GVA of under 3%. However, whilst in D&G 9% of the workforce are employed in the sector, only 4.4% in Mainly Rural areas work in Agriculture, Fishing and Forestry. This is higher than the Scottish average of under 2% both for employment rates and GVA.

**Table 1: GVA in Dumfries and Galloway, Mainly Rural areas and Scotland by Sector 2015**

Sector	Dumfries and Galloway	Mainly Rural	Scotland
Financial Services	1.7%	2.0%	6.6%
Information and communications	2.4%	1.7%	3.7%
Agriculture, Forestry, Fishing	2.7%	3.0%	1.3%
Mining, Utilities	3.6%	5.5%	5.5%
Other	4.2%	4.0%	3.7%
Construction	5.7%	7.4%	6.4%
Business Services	5.7%	8.6%	10.3%
Real Estate	11.8%	12.1%	10.0%
Manufacturing	14.8%	14.1%	11.2%
Public Admin	22.9%	21.0%	22.5%
Distribution, Wholesale and Retail	24.4%	20.7%	18.8%
Total GVA (£ million)	2,802	31,328	127,266

Source: ONS local authority level GVA Statistics, as at August 2017 (Using Scottish Government RESAS Classification 2018)

**Table 2: Employment figures in Dumfries and Galloway, Mainly Rural areas and Scotland by Sector 2017**

Sector	Dumfries and Galloway	Mainly Rural	Scotland
Agriculture, forestry and fishing	9.0%	4.4%	1.8%
Energy and water	2.4%	5.6%	3.4%
Manufacturing	11.0%	8.7%	7.7%
Construction	7.3%	7.7%	7.1%
Distribution, hotels and restaurants	20.4%	19.9%	18.7%
Transport and communication	4.3%	5.7%	7.7%
Banking and finance	9.8%	12.7%	16.0%
Public admin, education and health	30.6%	28.6%	30.9%
Other services	4.4%	6.0%	6.1%
Total	67,800	721,800	2,581,000

Source: ONS, Annual Population Survey (2016) (Using Scottish Government RESAS Classification 2018).

Contact XXXXXXXXXX

◦ **ANNEX 9 – OVERVIEW ECONOMIC PROFILE FOR SOUTH OF SCOTLAND MAY 2018**

**Population<sup>1</sup>**

The population in the South of Scotland region was 264,050 in 2016 (4.9% of Scotland's population).

**Labour Market Jan – Dec 2017**

	<b>South of Scotland Region</b>	<b>Scotland</b>	<b>UK</b>
Unemployment rate (16+)	3.0%	4.1%	4.4%
Youth Unemployment rate (16-24)	5.6%	9.2%	12.1%
Employment rate (16-64)	75.8%	74.3%	74.7%

**Earnings<sup>2</sup>**

In April 2017, the median weekly earnings of full-time employees *residing* in the South of Scotland region was £490.20.

In April 2017, the median weekly earnings of full-time employees *working* in the South of Scotland region was £467.80.

**Employment by sector<sup>3</sup>**

The service sector accounted for 72 per cent of total employment in the South of Scotland region in 2016 (82 per cent in Scotland), while manufacturing accounted for 13 per cent (7 per cent in Scotland).

**Deprivation**

According to the Scottish Index of Multiple Deprivation 2016, 6 per cent of the South of Scotland's datazones were found in the 15 per cent most deprived datazones in Scotland.

**Small businesses<sup>4</sup>**

In March 2017, small enterprises accounted for 56 per cent of employment in the South of Scotland region. This was higher than the proportion of employment in small businesses in Scotland as a whole, at 36 per cent.

**Qualifications**

In 2016, a lower proportion of people in the South of Scotland region than in Scotland as a whole held a degree level qualification (21.6 per cent vs. 28.9 per cent). A similar proportion of people in the South of Scotland region held no qualifications (9.8 per cent vs. 10.0 per cent in Scotland).

Contact 

<sup>1</sup> National Records of Scotland

<sup>2</sup> Annual Survey of Hours and Earnings 2017

<sup>3</sup> Source: BRES 2016 and June 2016 Scottish Agricultural Census.

<sup>4</sup> Source: Businesses in Scotland 2017

◦ **ANNEX 10 – OVERVIEW ECONOMIC PROFILE FOR DUMFRIES AND GALLOWAY MAY 2018**

**Population**

Dumfries and Galloway's population was 149,520 in 2016, 2.8 per cent of Scotland's population.

**Labour Market Jan - Dec 2017**

	<b>Dumfries and Galloway</b>	<b>Scotland</b>	<b>UK</b>	<b>Rank of 32 LAs</b>
Claimant count rate <sup>5</sup> (March 2018)	1.9%	2.6%	2.1%	12th lowest
Unemployment rate (16+)	2.8%	4.1%	4.4%	5th lowest
Youth Unemployment rate (16-24)	5.9%	9.2%	12.1%	- <sup>6</sup>
Employment rate (16-64)	76.8%	74.3%	74.7%	9th highest

**Earnings<sup>7</sup>**

Median weekly full-time earnings, for employees who live in Dumfries and Galloway, were 15.9 per cent lower than the Scottish average in April 2017 (£461 in Dumfries and Galloway compared to £548 in Scotland as a whole).

The percentage of all employees (18+) who work in Dumfries and Galloway, with hourly pay below the Living Wage, at 28.8 per cent in 2017, was above the figure for Scotland as a whole, at 18.4 per cent.

**Employment by sector<sup>8</sup>**

The service sector accounted for 72 per cent of total employment in Dumfries and Galloway in 2016 (82 per cent in Scotland), while manufacturing accounted for 9 per cent (7 per cent in Scotland).

**Qualifications**

In 2016, 19.6 per cent of people (16-64) in Dumfries and Galloway held a degree level qualification, below the average across Scotland of 28.9 per cent. The proportion of people with no qualification, at 9.7 per cent in Dumfries and Galloway, was below the figure for Scotland as a whole, at 10.0 per cent.

**GVA**

Gross value added (GVA) in Dumfries and Galloway was £2,964 million in 2016, 2.2 per cent of Scottish total. GVA per head was £19,826, lower than the average across Scotland (£24,876).

**Deprivation**

According to the Scottish Index of Multiple Deprivation 2016, 6.5 per cent of Dumfries and Galloway's 201 datazones were found in the 15 per cent most deprived datazones in Scotland.

**Business performance**

In 2015, the business start-up rate, at 31 per 10,000 resident adults in Dumfries and Galloway, was below the rate for Scotland as a whole, at 49. In 2015, business expenditure in R&D per head in Dumfries and Galloway, at £39, was below the figure for Scotland, at £198.

**Small businesses**

In 2017, small enterprises accounted for 55 per cent of employment in Dumfries and Galloway, compared to 36 per cent in Scotland as a whole.

<sup>5</sup> The denominator used for the claimant count rate is the resident population aged 16-64.

<sup>6</sup> Youth unemployment rate rank is not provided as youth unemployment rate estimates are not reliable for many LAs.

<sup>7</sup> The Living Wage, as defined by the Living Wage Foundation is £8.45 outside London. This is different to the UK Government's National Living Wage of £7.50.

<sup>8</sup> Source: BRES 2016 and June 2016 Scottish Agricultural Census.



Contact 

## • ANNEX 11 –SCOTTISH NATIONAL INVESTMENT BANK

### Top Lines - Scottish National Investment Bank

- The Cabinet thanks Benny Higgins and his Advisory Group for their work on developing an Implementation Plan for a new national investment bank for Scotland. The prospect for a Bank like this has never been more certain.
- Cabinet has considered in detail the proposals outlined in Mr Higgins' Implementation Plan, and has agreed that the Scottish Government will accept all 21 of the recommendations. This was announced in the Parliamentary Debate on 8 May 2018 when the SG outlined its response to the Implementation Plan.
- Many countries around the world benefit from having national investment banks which provide patient, strategic investments that focus on the major economic challenges. National promotional banks play an important role in actively creating and shaping new markets and tackle big societal challenges.
- The Scottish Government is committed to investing £2 billion over 10 years to capitalise the Bank. This scale is deemed to be ambitious, achievable and realistic, at a level that will make a material difference to the supply of capital to the Scottish economy and can lever in additional private investment.
- This Bank will operate on a commercial basis; it will be independent from Ministers, its board making decisions about where to invest and on what terms and being accountable for the decisions and choices that they make.
- The types of investment, determined by the Board should include:
  - strategic and patient capital over all stages of firms' and businesses investment lifecycle,
  - substantial financing for major projects which support regeneration and communities and
  - investment in new ideas, to help us to meet the key economic, environmental and social challenges
- The bank will offer debt and equity financing that must be repaid on a commercial basis, typically over a 10-15 year period.
- A unique feature of the Bank is to be its mission- based approach to investment. This means Scottish Ministers identifying a set of medium term outcomes and a focus for the Bank's investment strategy.

- Core to this will be the alignment of the Bank's plans with the wider economic strategy and priorities which have been identified and set by the Scottish Government.
- The Scottish Government will further refine its expectations of the Bank, and the missions set for it, through consultation with stakeholders. We will listen to their expectations and priorities for investment and governance of the Bank.
- Discussions are ongoing with HMT officials about the Bank, and the additional year end budget flexibility that will be required for it.
- The Scottish Government is committed to establishing the new bank as a public body in order to ensure direct alignment between the activities of the Bank and broader economic policy.
- Work on how the Bank will relate to existing bodies, initiatives and financing activities has begun. Where appropriate, these should be consolidated within the Bank.
- Following consultation a Bill will be brought forward in 2019 to establish and capitalise the Bank.
- Early establishment of a stakeholder group will guide further development of the operational detail, governance and accountability arrangements for the Bank. We want to find ways in which wider society can inform and shape the Bank, whilst ensuring the Board's independence and accountability.
- It is essential that the Bank secures the right people. As a unique institution, despite its intended status as a public body its terms and conditions of employment must reflect that it's part of the finance sector. Further work will be undertaken to establish options for pay and salaries, and overall conditions of employment.
- This Bank will be operating in the financial sector and will need to reflect that in its terms and conditions of employment. But it will also be a public body, accountable to taxpayers, and required to deliver value-for-money.
- The terms and conditions for employment must be appropriate to secure the right staff for the Bank – not setting it up to fail.
- There will also be a link between the costs of operating the Bank and the Bank's ability to create and sustain a return on its investments. This creates incentives and controls for the Bank's management team to work within.

## • ANNEX 13– BANK BRANCH CLOSURES

### **ROYAL BANK OF SCOTLAND:**

Friday 1 December - RBS announced closure of 62 branches, with 160 posts at risk. Announcement has been subject to widespread criticism.

6 February - RBS announced a 'reprieve' for a 10 Scottish branches (Biggar, Beaully, Castlebay/Barra, Comrie, Douglas, Gretna, Inveraray, Melrose, Kyle, Tongue) until the end of 2018. Should any of these branches see sustainable transactional increases and viable new income over this period, then the bank will reconsider the closure of the relevant branch as part of a full independent review.

10 April – RBS criticised after reducing mobile branch service in many areas, with no formal announcement and no public consultation.

[18 April – tbc – reports that mobile service to be retained in Dufftown – PMQs, no formal announcement, needs investigation]

### **LLOYDS BANKING GROUP :**

29 November – Announcement of 49 branch closures across UK, 11 in Scotland (Bank of Scotland branches).

18 April – announcement of further 47 branch closures, none in Scotland.

**Bank roundtable:** 6 February – Keith Brown and Paul Wheelhouse met with RBS, Lloyds Banking Group, Clydesdale and TSB to discuss closures and seek solutions to retain essential banking services.

### **Top Lines**

- I remain deeply concerned at the scale of branch closures across Scotland.
- My concerns will be shared by the communities and small businesses that rely on access to local banking services.
- We recognise that footfall in branches is falling, due to increased use of online banking. RBS, and other banks, must take into account the needs of all customers.
- The worst impact will be felt by the most vulnerable members of our society, for many of whom going into a branch remains the only feasible way to conduct their banking.
- The Scottish Government is clear in our opposition to these planned closures until such time as a guaranteed minimum level of service provision for essential banking services is in place.

### **The UK Government has legislative and regulatory responsibility for banking and financial services.**

- Despite representations from the Scottish Government, and from MPs and MSPs across the political spectrum, the UK Government has made clear that it will not intervene.
- The Minister for Business, Innovation and Energy raised concerns directly with UK Government Minister Stephen Barclay in a letter and a call on 4 December.
- The Scottish Government stands ready to work constructively with UK Ministers, and other stakeholders to support and reassure customers in light of these planned closures.

### **Scottish Government has engaged with banks on planned closures**

- Mr Wheelhouse spoke with senior RBS officials on Friday 1 December and Mr Wheelhouse met with RBS on 13 December.
- Bank branch closures were discussed in a meeting of the Financial Services Advisory Board on 19 December.
- At that meeting agreed that further discussions should take place on retention of services and support for affected communities.
- On 6 February Cabinet Secretary for Economy, Jobs & Fair Work and Minister for Business, Innovation & Energy met with representatives of the banking sector, facilitated by Scottish Financial Enterprise (SFE), to discuss the banking sector in Scotland. A further discussion is expected to take place next month (May).

- Along with my colleagues, I will continue to engage with the banks to ensure that everything possible is being done to mitigate the impact of this decision on the communities affected by this and other recent announcements.

Contact Name:



## ANNEX 14– SCOTTISH GROWTH SCHEME

### Top Lines

- The Scottish Growth Scheme is investing in ambition and jobs by providing access to finance for companies that want to fund growth and exporting. It will deliver £500 million investment as planned over three years to June 2020.
- To claim the Scheme has not paid out any money to firms is simply not true.
- So far, the Scheme has paid out **£56.8 million in equity investment to 51 companies** using the SME Holding Fund as a delivery conduit.
- Some equity deals will take time to conclude because investor collaboration will be required as well. However, the support is there and we will work very hard to promote the range of finance that is available.
- Been able to be quite adept in adapting some of the support around what is required in relation to commercial financing. It will now involve a variety of measures from equity to loans and guarantees. We had envisaged more use of guarantees but there seems to be more interest around other areas.
- Due to commercial confidentiality we cannot name companies who have received financial support under the Scottish Growth Scheme, however, they mainly deal with innovative technology in a variety of sectors such as software development, textiles, energy, multimedia, fintech and healthcare.
- Firmly believe it is important to get structure right to meet the different needs and ambitions of Scotland's businesses – unlocking investment to finance ambition across the whole of Scotland.

### **The first tranche of the Growth Scheme - the £200m Scottish–European Growth Co-investment Programme - was announced in June 2017**

- It will provide equity to companies seeking over £2 million of investment.
- Scottish Enterprise is supporting companies by providing advice and support as well as introducing companies to relevant European Investment Fund accredited Fund Managers.
- **21 companies are live enquires** with on-going discussions with Scottish Enterprise.
- **3 have been passed to the European investment Fund** for relevant investors to be identified and 16 have been introduced to a range of investors who are engaging in direct discussions.

### **In September, we announced new and additional Growth Scheme funding of £25 million for businesses seeking equity investment of up to £2m.**

- This additional allocation will deliver total Investment of £100 million to some 66 companies during the period up to December 2018.
- Already ahead of this target with **51 companies receiving investments of £56.8 million** from the new and additional funding provided to the SME Holding Fund.

### **Next steps – Further range of products planned**

- Further activity will be announced shortly, **seeking to use new and “additional”** European monies and FTs to deliver a broader range of products, with focus on debt and equity.
- Important to ensure activity underpinned by market evidence – not about 'moving goalposts' but delivering products that companies need to develop and grow, unlocking investment and investing in ambition across the whole of Scotland.

### **Positioning of the Scottish Growth Scheme/SME Holding Fund with SNIB**

- No formal decision, await Scottish Government response to Benny Higgins recommendations published on 28 February 2018.

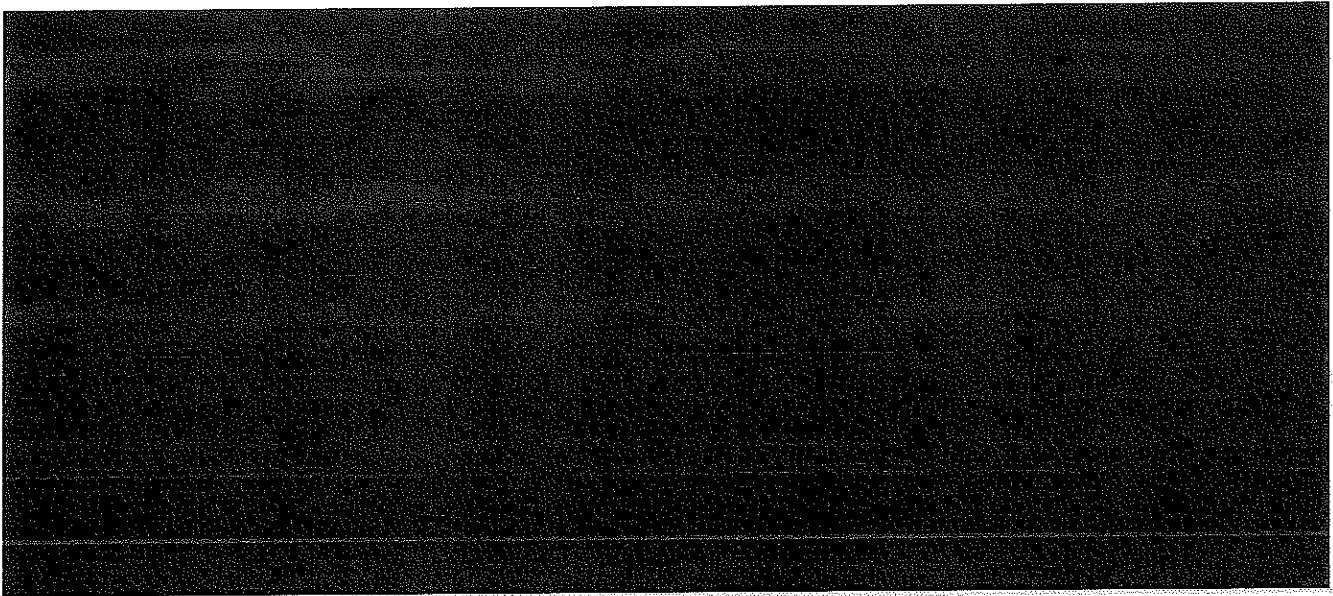
As outlined in the Implementation Plan it is recommended that the Bank should build on current skills and experience successfully developed in Scotland, building on the track record of success, and creating a single point of delivery of financing support for business growth and innovation. Detailed consideration will be given by Ministers at the next stages of planning.

## ANNEX 15 – PLACED BASED ECONOMIC DEVELOPMENT: CITY REGION DEALS AND REGIONAL PARTNERSHIPS / Q and A

### Top Lines

- We have committed to new Regional Economic Partnerships representing every community in Scotland. This is set out in the Enterprise and Skills Review.
- Regional Partnerships are collaborations between local authorities, the private sector, education and skills providers, our economic agencies and the third sector.
- We are working with multiple partners (incl. COSLA, SLAED, SFT, enterprise agencies) to facilitate the creation and development of Regional Partnerships across all of Scotland.

### Background



Q&A:

**Q. What is the role of Regional Partnerships?**

A. They serve to bring together regional interests, focussing and aligning resources, sharing knowledge, and developing joined-up plans to drive the regional economy.

Some are already in place, delivering City Region deals, others are being formed. They serve as a body to implement growth deals, but their greatest value is beyond this, in fostering collaborative approaches between different regional interests.

**Q. Why haven't you legislated or provided some other framework for Regional Partnerships?**

We realise that regions have different assets and challenges, there is no "one size fits all" approach. To allow for flexibility, we have not been prescriptive about how these should be formed, only that they should have effective governance and strong, purposeful leadership, focussed on regional inclusive growth. Officials, enterprise agencies and others are engaging with, and encouraging their development.

**Q. What does this mean for the Enterprise and Skills Agencies? Will they be regional?**

A. Our national agencies will remain national. We have challenged them to align with our regional outlook. They have responded positively to this, and are key partners in driving forward both existing and developing Regional Partnerships.

We have a regional enterprise agency in Highlands and Islands Enterprise, and we will have another in the South of Scotland. Both of these bodies are tasked to engage with the specific issues faced by their areas.


**Q. What plans are there for more Regional Partnerships?**

A. We have stated that we want to see every community represented by a Regional Partnership.

Officials are working with a number of areas seeking growth deals, including the Ayrshires, Tay Cities, Moray and others – all of which are creating Regional Partnerships by bringing together key regional stakeholders to create plans to support and develop the regional economy.

**Q. I've not seen any benefit from Regional Partnerships, what do they actually do?**

A. The bodies delivering growth deals are Regional Partnerships. However, the work to develop these to fully align with our aspirations is at an early stage, and can take time. The work being taken forward by the Ayrshires, for example, requires shifts in engagement between three Local Authorities, potential movement of staff, and new ways of working between the Ayrshires, our Enterprise and Skills agencies, and Government officials. The output of this is hoped to be a step change in the Ayrshire economy, driving inclusive growth.

  
9 May 2018



## ANNEX 16 – REGIONAL GROWTH AND REGIONAL PARTNERSHIP

### REGIONAL GROWTH DEALS & REGIONAL PARTNERSHIPS

**TOP LINE:** Building on the three City Region Deals already agreed and those at an advanced stage of development - the Scottish Government is committed to ensuring 100% coverage of Scotland with Growth Deals. We continue to urge the UK Government to join us in common purpose on this by agreeing a timetable as soon as possible

Growth Deals are delivered by Regional Partnerships: collaborations between local authorities, the private sector, education and skills providers, our economic agencies and the third sector, aiming to drive inclusive economic growth.

We are working with multiple partners (incl. COSLA, SLAED, SFT, enterprise agencies) to facilitate the creation and development of a mature network of Regional Partnerships across all of Scotland.

### REGIONAL PARTNERSHIPS Q&A

**Q. What is the role of Regional Partnerships?**

A. They serve to bring together regional interests, focussing and aligning resources, sharing knowledge, and developing joined-up plans to drive the regional economy. Some are already in place, delivering City Region deals, others are being formed. They serve as a body to implement growth deals, but their greatest value is beyond this, in fostering collaborative approaches between different regional interests.

**Q. Why haven't you legislated / provided some other framework for Regional Partnerships?**

A. We realise that regions have different assets and challenges, there is no "one size fits all" approach. To allow for flexibility, we have not been prescriptive about how these should be formed, only that they should have effective governance and strong, purposeful leadership, focussed on regional inclusive growth.

**Q. What does this mean for the Enterprise and Skills Agencies? Will they be regional?**

A. Our national agencies will remain national. We have challenged them to align with our regional outlook. They have responded positively to this, and are key partners in driving forward both existing and developing Regional Partnerships.

We have a regional enterprise agency in Highlands and Islands Enterprise, and we will have another in the South of Scotland. Both of these bodies are tasked to engage with the specific issues faced by their areas.

**Q. What plans are there for more Regional Partnerships?**

A. Officials are working with a number of areas seeking growth deals, including the Ayrshires, Tay Cities, Moray and others – all of which are creating Regional Partnerships by bringing together key regional stakeholders to create plans to support and develop the regional economy.

### AYRSHIRE GROWTH DEAL Q&A

**Q. When will the Scottish and UK Government agree the funding package for the growth deal for the Ayrshires?**

A. We are committed to ensuring that the Ayrshires benefits from a generous package of support to deliver the Growth Deal and promote inclusive growth to grow the economy in Ayrshire.

The HALO Project in Kilmarnock has already been given the go-ahead as the first output from the Ayrshire Growth Deal. This has seen £5.3m of funding committed by the Scottish Government.

Tripartite discussions are now on-going with the AGD partners, Scottish and UK Government and we will take forward action to agree a Heads of Terms, and thereafter the funding package itself.

**Q. How much are you committing to the Ayrshire Growth Deal, given it is not explicitly budgeted for?**

A. The overall funding package will depend on the finalised list of projects submitted by the Ayrshire Partners. We recently asked for these to be refreshed and prioritised so that we can work together towards identifying the likely total funding package.

## **MORAY / ARGYLL & BUTE / FALKIRK / ISLANDS DEAL Q&A**

**Q. City Region deals do not serve those rural areas within the boundary of the deal well, how will regional deals benefit rural areas?**

A. Deal propositions are locally lead, drawing in partners across a particular geographical area and are geared to each area's unique need and opportunity. We want to ensure that inclusive growth is at the centre of the approach and the private sector is also integral.

**Q. What progress has been made in relation to those Deals outwith City Regions?**

A. Officials continue to work with Argyll & Bute, Moray, Falkirk and the three Island Councils, supported by our enterprise and skills agencies, to understand their ambitions and help them to consider proposals which will unlock inclusive growth in their local economies. We are committed to that engagement and urge the UK Government to make a similar commitment.

**Q. Are you committed to providing funding to allow implementation?**

A. No funding commitment has been given outwith those local authorities areas with a matching UK Government funding commitment. We are prepared to play our part within the context of a mutually respectful relationship with the UK Government and I look forward to exploring how we can work together to enhance inclusive economic growth for all parts of Scotland, including for areas outside the current city and regional deals.

I hope that the UK Government remains committed to collaborative working and I hope to see improved joint working in the coming weeks and months. I am certainly committed to that and will consider potential support as part of that process.

**Q. Do you expect the private sector involvement in funding the Deals?**

A. Private sector involvement in the partnerships is crucial, and any Scottish Government funding is contingent on such involvement.

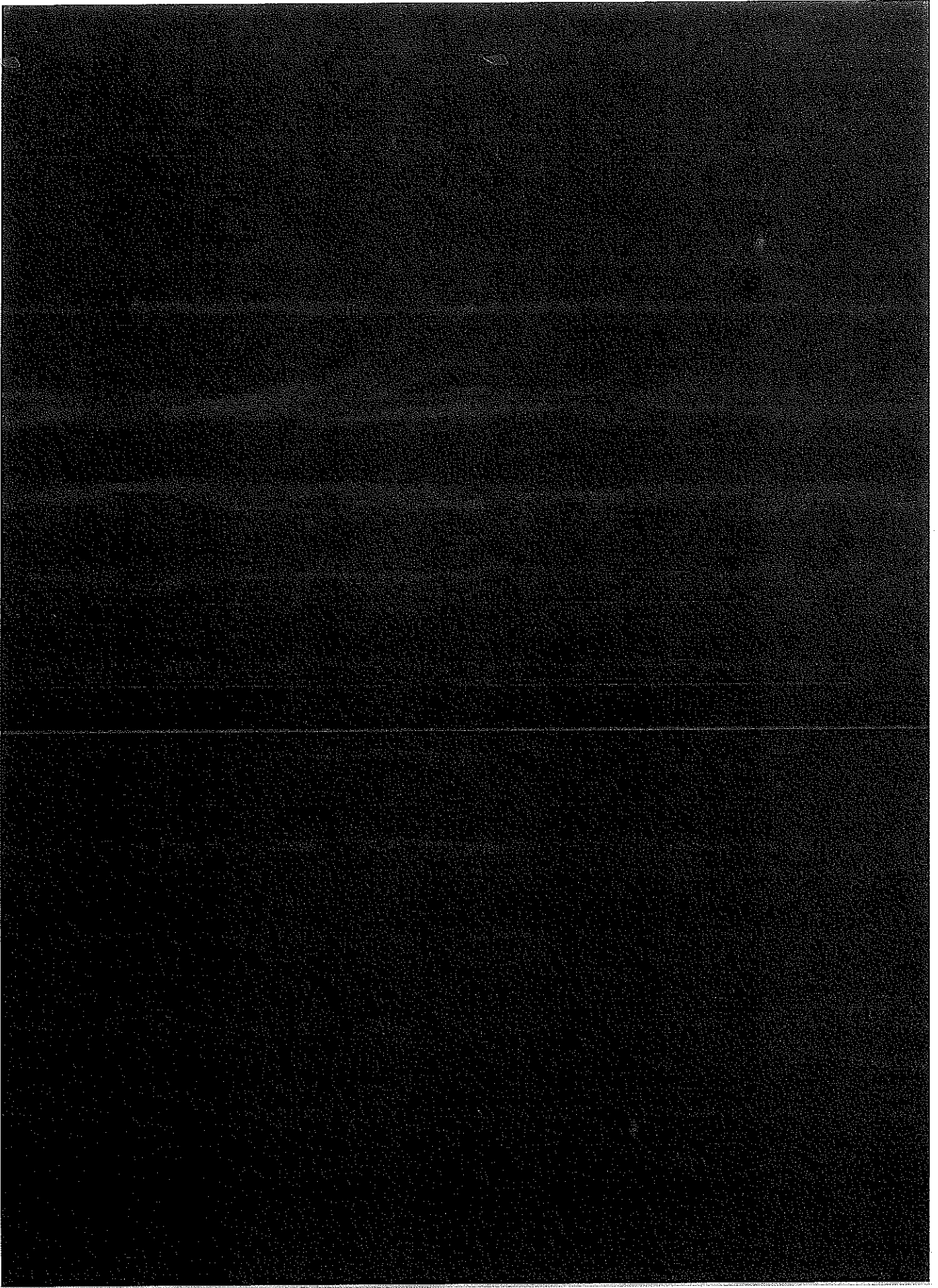
**Q. Do you see inclusive growth as integral to developing the various propositions and in securing the Deals?**

A. All growth deals will be informed by the Inclusive Growth work which has been pioneered by OCEA, and all will have meaningful involvement from private sector partners.

**Q. What specific progress has been made on the Islands Regional Deal?**

A. SG remains committed to engaging in constructive dialogue to explore the Island proposals in more detail, though no financial commitment has been made as yet.

## **BACKGROUND**



## ANNEX 17 – SCOTTISH BUSINESS PLEDGE

### Key Messages / Top Lines:

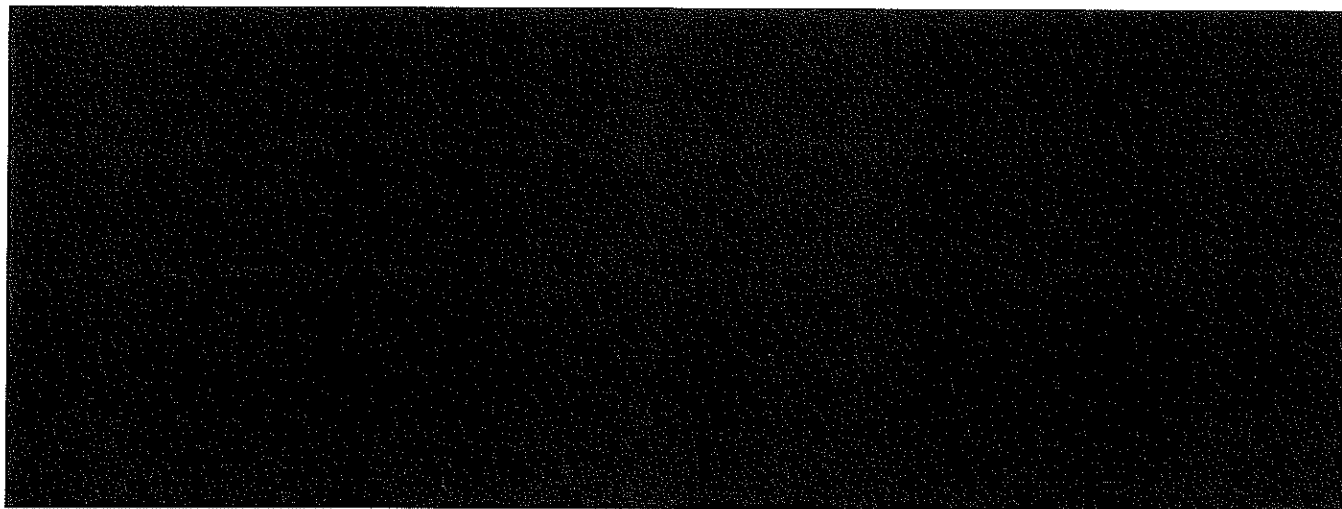
- The Scottish Business Pledge is a values-led partnership between Government and business which aims to boost productivity, competitiveness and employment through fair work, workforce engagement and development.
- The partnership has grown steadily since 2015 and welcome the over **480 businesses** who have made their commitment to the Pledge – delivering sustainable and inclusive growth for their community and Scotland.
- We want to build on that through the review announced in March.
- We will work over the summer to explore barriers to making a commitment to the Business Pledge and ways to make the Pledge more attractive to businesses.
- We remain absolutely committed to the Pledge – and the Real Living Wage, which will always be at its heart.
- Recent survey results show - 66% of companies reported a positive business impact as a result of a Pledge commitment. 93% said they would recommend it, 25% indicated an increase in competitiveness and 10% an increase in productivity.

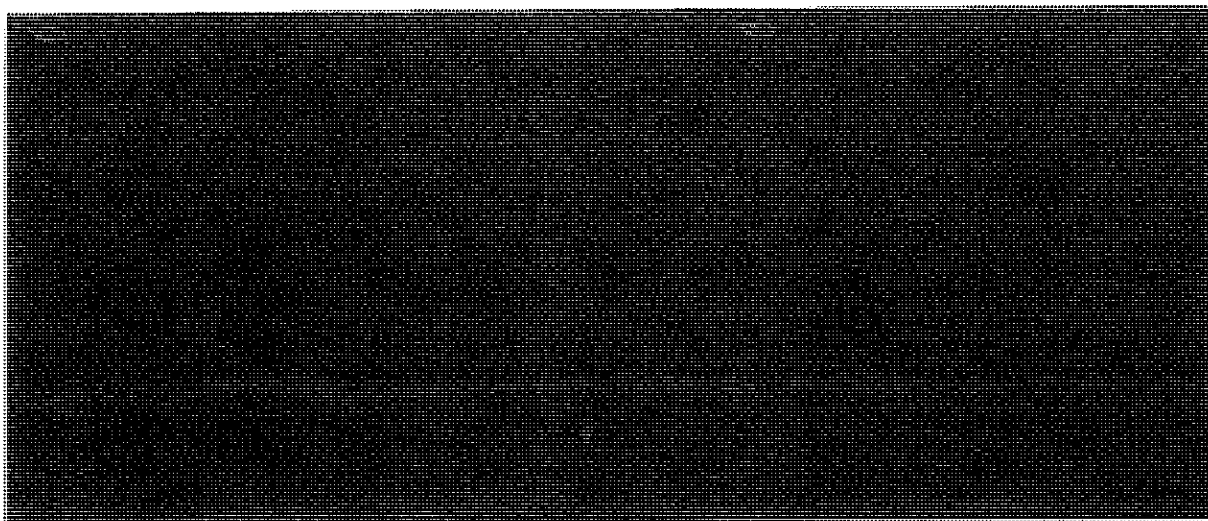
### Background: Scottish Business Pledge

- The Pledge involves nine individual strands of business improvement activity which many companies across Scotland have already adopted:
  1. Paying the living wage
  2. Not using exploitative zero hours contracts
  3. Supporting progressive workforce engagement
  4. Investing in youth
  5. Making progress on diversity and gender balance
  6. Committing to an innovation programme
  7. Pursuing international business opportunities
  8. Playing an active role in the community
  9. Committing to prompt payment

### Review of the Business Pledge

- The Minister for Employment announced a short review of the Business Pledge on 22 March (Announcement). This is in response to the survey report published on 27 March (Pledge Survey 2017), which highlighted the case for increased awareness of the Pledge and greater support for Pledge businesses working to meet more Pledge elements.
- Ministers remain absolutely committed to the Business Pledge and want the review to focus on how the Pledge might evolve to increase uptake and impact, and provide better support for business. The review will focus on boosting scale and impact.





### Top Lines

- The Strategic Board is key to fulfilling our aim to deliver a step-change in the support offered through Scotland's enterprise and skills system.
- The Board will bring improved clarity based on evidence and data, as well as a focus on delivery, to the economic landscape in Scotland.
- The Board features members with a wealth of business experience encompassing a broad range of sectors, sizes and locations.
- There is further representation covering education, research, trade unions, local authorities and the new South of Scotland Economic Partnership.
- We must not lose sight of our aim of giving businesses and individuals the right access and support to services which will help boost Scotland's economy.
- We have developed these plans in consultation with stakeholders throughout, and the Strategic Board will continue to build on this engagement.

### Rather than adding clutter to the economic governance landscape in Scotland, the Board will bring a renewed and welcome focus.

- The Board recognises that the Fraser of Allander Report pointing to the number of different economic strategies and advisory groups is of relevance to its work.
- It will provide a singular point of strategic focus for the agencies – ensuring that each of the Agencies support shared goals and aspirations of the whole system.
- The Board will bring improved clarity based on evidence and data, as well as a focus on delivery, to the economic landscape in Scotland.
- It will provide a new emphasis on the needs of the end user – the learner and the business support customer.
- The Board's Analytical Unit will ensure that the recommendations of the Board are firmly rooted strong good evidence and data.

### The Strategic Board features an impressive array of figures from business, education, research, trade unions and local authorities.

- As the Strategic Board is being set up administratively and is not a public body, initial appointments were made by Ministers in consultation with the Chair.
- This approach ensured the Board could begin work as quickly as possible and drive forward with plans to deliver the change in the system we want to see.
- The Implementation Board that met over the summer was consulted on the skills and experience required in the Strategic Board.

- There is scope in future for a formal recruitment process to be used, and at all times the needs of Scotland's businesses will be at the heart of this work.

**The Strategic Board will align and co-ordinate the activities of Scotland's enterprise and skills agencies, maintaining the focus on the needs of the user.**

- It has a remit to drive greater collaboration, innovation and strategic purpose, enhancing the system so it can deliver more than the sum of its parts.
- Its ultimate aim is to improve the performance of the economy by ensuring that the whole enterprise and skills system delivers Scotland's Economic Strategy.
- It will help deliver our ambition of ranking among the world's top-performing economies in terms of productivity, equality, wellbeing and sustainability.
- The Board will develop a Strategic Plan over the course of this year to help deliver on this remit.

**The Strategic Board marks a new way of governing the enterprise and skills system, enhancing the ability of our agencies to deliver local support.**

- The Strategic Board will deepen collaboration between the agencies and more widely, with Agency Chairs jointly accountable for delivering the Strategic Plan.
- The Enterprise and Skills Review confirmed there would be no change to the current legal status of agency boards, who would retain their independence.
- This includes Highlands & Islands Enterprise who will continue to manage and direct locally-based and dedicated support to businesses across the region.

**The Strategic Board will not affect the autonomy of Scotland's universities.**

- We are absolutely committed to ensuring that our world class higher education institutions remain independent and that their academic freedom is protected.
- We recently strengthened the definition of academic freedom in the 2016 Higher Education Governance Act and we do not envisage any risk to ONS classification.

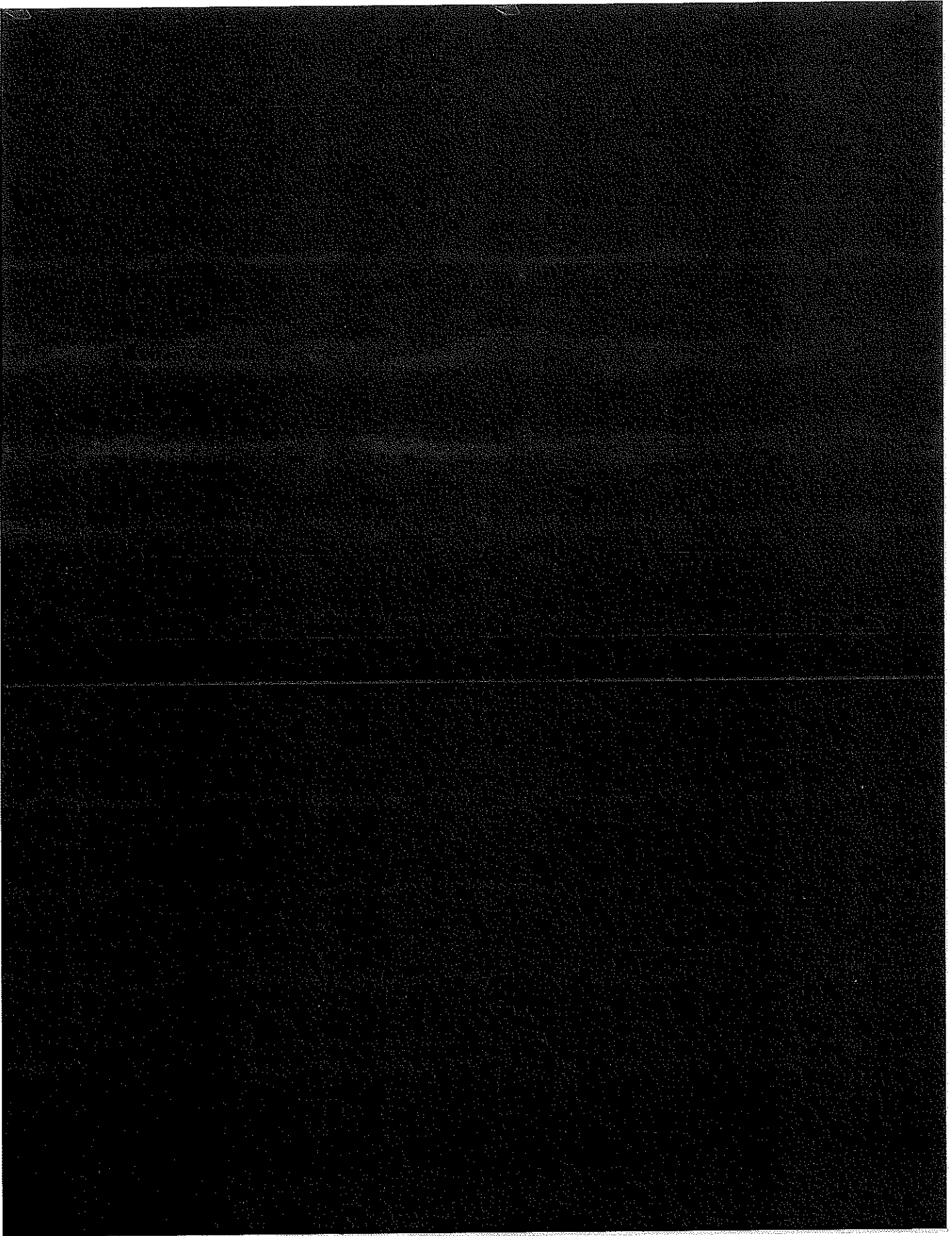
**The new South of Scotland Enterprise agency will be driven by the challenges and opportunities of the area.**

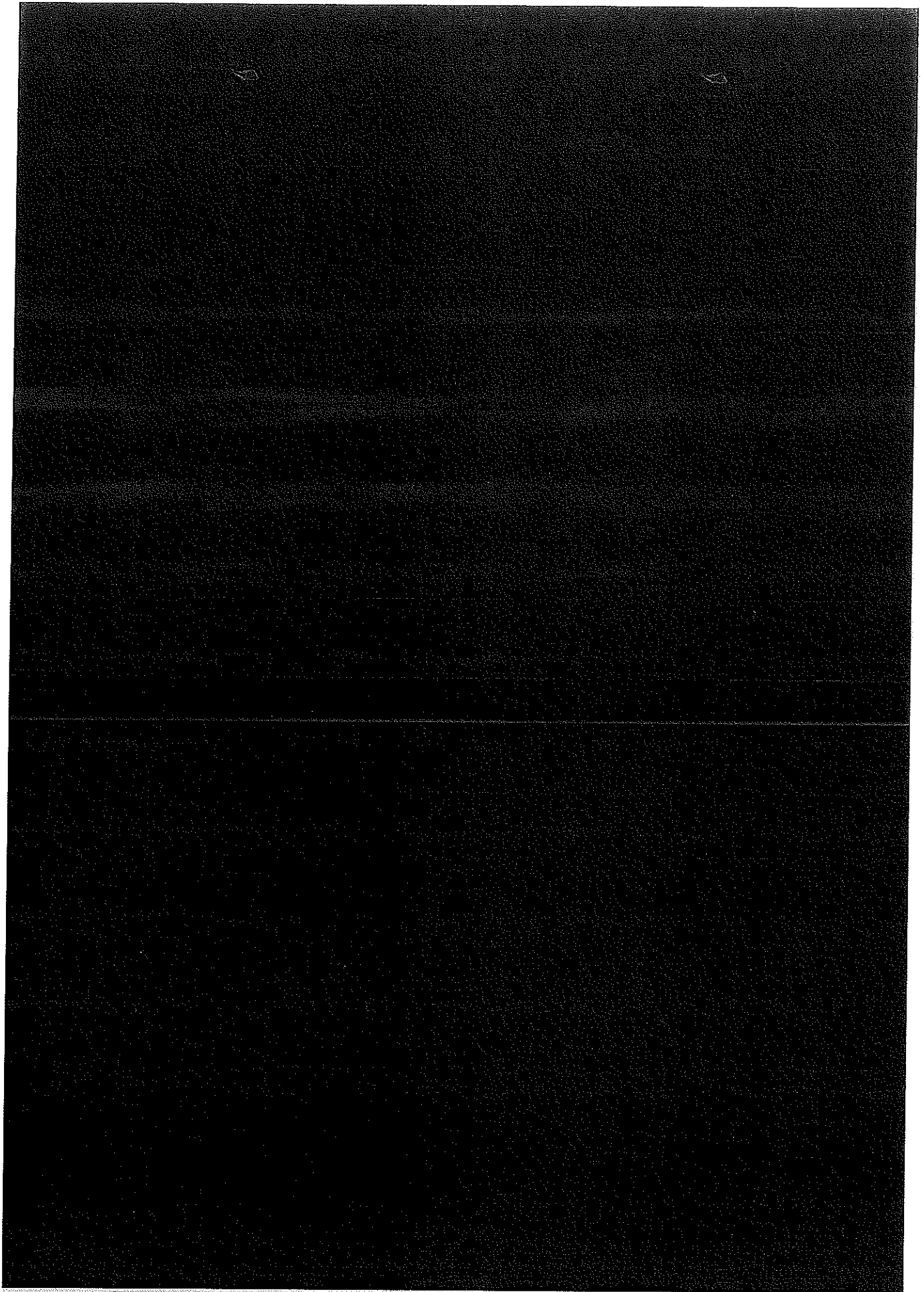
- We have developed proposals for the new agency and the interim partnership in consultation with stakeholders, including businesses and education interests.
- The South of Scotland Economic Partnership will pave the way for a dedicated enterprise agency for the region.
- We are backing their commitment with additional resources of £10million to boost economic development activities across the area.
- We will introduce legislation this year with the aim of establishing the new agency by the beginning of the financial year 2020.

**Progress continues across all nine projects that emerged from the Enterprise and Skills Review.**

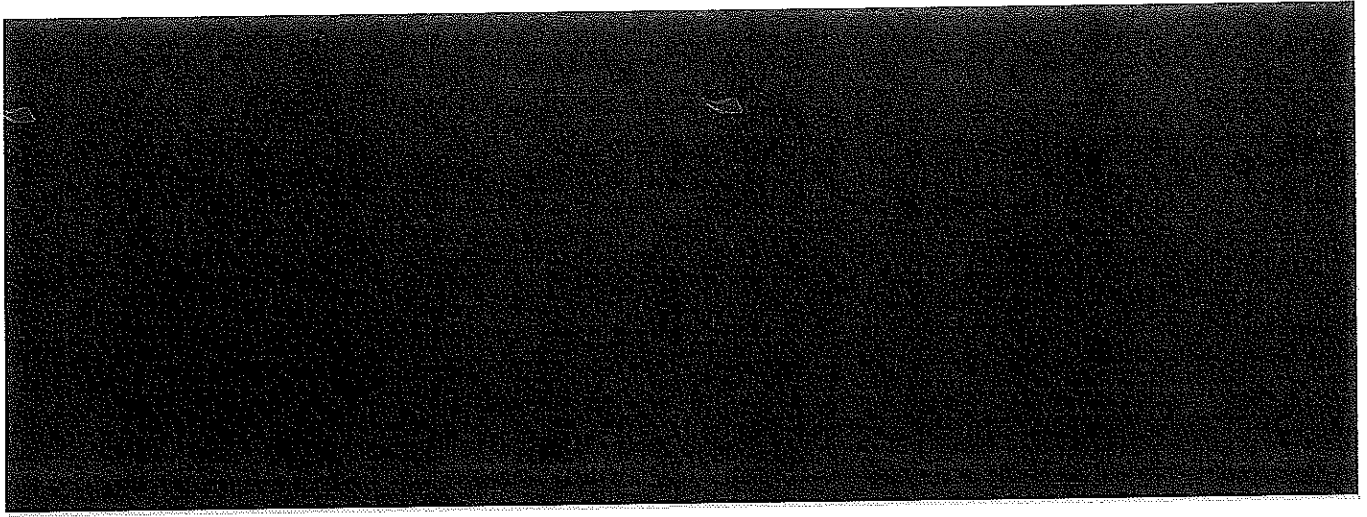
- This includes a streamlined system of business support with development of a single digital access point; a £500k College Innovation Fund to support work with businesses and a five-stage skills planning model developed by skills agencies.

Contact: 



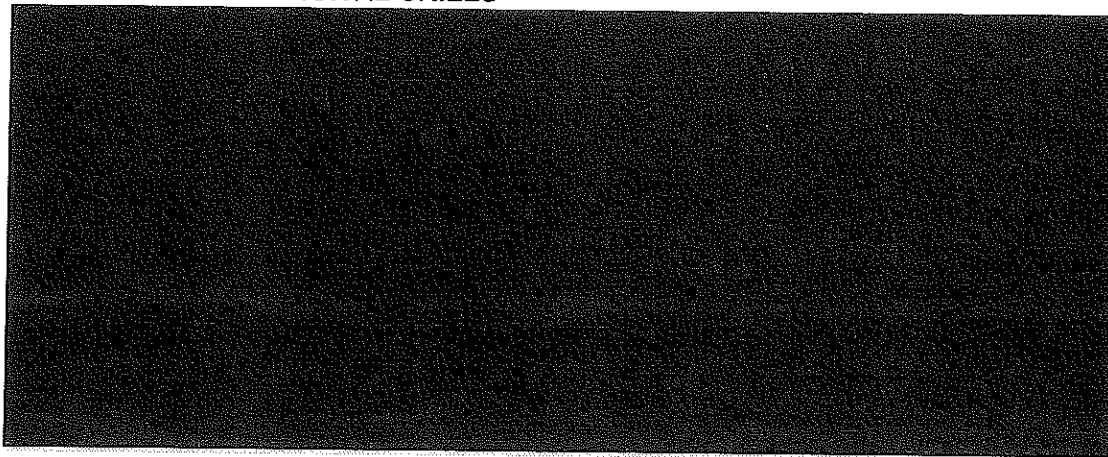






## ANNEX 20 – DIGITAL SKILLS INCLUDING Q&A

### BACKGROUND BRIEFING – DIGITAL SKILLS



#### TOP LINES

- **Digital Technology is transforming society**, digital skills development is critical across the economy and a **key driver of economic and inclusive growth**, it is also however, a huge challenge for all western economies.
- Scotland has the ambition, and the innovative spirit and champions, required of a **world class digital nation**.
- We are working to provide **future-proofed infrastructure and connectivity** that will support connectivity on any device, anywhere, at any time, we are also **committed to ensuring our people and businesses have the future skills needed to capitalise on that better connectivity**.

#### WHAT HAVE WE DONE?

- Through our public/private **Digital Scotland Business Excellence Partnership (DSBEP)** (a model that the UKG have recently taken forward at UK level as announced in their digital strategy), we have **invested over £20m over the past 5 years** in supporting businesses and individuals to develop their digital skills.
- **£10.5 million** of this funding has been focussed specifically on delivery of the Digital Skills Investment Plan, seeking to tackle both immediate digital skills shortages and to boost the number of skilled individuals we have in the pipeline and in the workplace.
- Our **Digital Skills Group** (a subgroup of the DSBEP) a partnership with companies such as JP Morgan, Hewlett Packard Enterprise, Cisco and FanDuel has delivered a range of projects to both respond to immediate needs of industry and broaden the future talent pool.
- A successful and effective **STEM strategy** will help improve awareness (and provision) of digital skills issues, initiatives, qualifications and pathways across Scotland.

#### MEETING IMMEDIATE NEED:

- SG has funded **CodeClan – just over £3m of investment to date** - Scotland's first industry-led digital skills academy, offering students an intensive 4 month training programme with direct access to employers and an opportunity to attain a professional developmental qualification at SCQF level 8.
- We have supported an **International Talent Attraction** campaign, focused on persuading skilled software jobseekers from Spain, Poland and Portugal to live and work in Scotland

#### CREATING A DIGITAL SKILLS PIPELINE

- With over **£1m of SG funding** our **Digital World** marketing campaign and events are raising awareness of the varied and attractive careers available to those with the requisite digital skills and qualifications.

- Since June 2016, **Digital Xtra** has made **£400,000** available to help girls and boys across Scotland develop their digital skills through **extra-curricular opportunities like coding clubs and competitions**;
- **Digital Schools** is a new programme which will together industry and education representatives to test innovative approaches to digital skills development in secondary schools.

#### TACKLING THE GENDER GAP IN TECH

- In partnership with industry, we launched a **Gender Action Plan** targeting young women still in education and those in, or looking to return to the labour market
- As well as providing a range of funding to **Equate** Scotland and **Close the Gap** to support the recruitment, retention, return and success of women and girls where they are under-represented in STEM workplaces.

#### WHAT DO WE STILL NEED TO DO?

- Scotland has a some world leading digital tech businesses. Scottish companies like Skyscanner and FanDuel are already achieving global success – we want more of them to do so, and not just in the tech sector but across the economy.
- We are not complacent, we know the digital skills challenges will only increase as technologies advance, we must continue to work in partnership to ensure our people and our businesses are not disadvantaged or disrupted and have the skills to take advantage of the endless opportunities of the digital age.
- With our **new Foundation Apprenticeships in software and hardware and Digital Graduate Apprenticeships**, we are developing new pathways into digital careers
- We have established a new **Digital Skills Partnership** to enhance communication and understanding between employers and colleges/universities, we must continue to support better links between industry and education so that our FE/HE curriculum delivers what employers need.
- **In-work digital skills development is an increasingly pressing challenge** which the recently announced - and currently in development - Digital Growth Fund will seek to address – we must **up-skill** and in many cases **reskill** workers who's roles may be removed by increasingly automated systems as has already been seen in for example banking and retail.
- We continue to work with industry partners on the **Gender Action Plan** to drive female participation in the sector up from 18%.

#### Digital Skills Q&A

##### Key message:

- We need 12,800 new entrants a year into these professions to meet both replacement and growth demand, a need that the labour market cannot currently meet. This is a western economy problem and not unique to Scotland.

##### Private Sector

##### **Q. How is SG encouraging people to gain entry to a profession in the tech sector?**

- Latest figures show that 91,000 people are employed in ICT and digital technologies occupations in Scotland which is higher than forecast for this time in 2016.
- The demand for new entrants to the sector cannot currently be met by the labour market so, through the Digital Scotland Business Excellence Partnership we have made over £20 million available to help tackle digital skills shortages and SME training across Scotland.
- The public/ private partnership behind the ICT and Digital Technologies Skills Investment Plan has delivered a range of projects to both respond to immediate needs of industry and broaden the future talent pool.
- Over £5m invested in the Digital Boost our national business digital engagement programme offering a portfolio of digital support including workshops, 1-2-1 advice, digital health checks, online guides and tutorials delivered across Scotland to
- We have CodeClan, Scotland's first industry-led digital skills academy backed with over £3 million of SG funding.

- Through TalentScotland we delivered an International Talent Attraction campaign to reach out and persuade skills software jobseekers from Spain, Poland and Portugal to live and work in Scotland.
- The Digital World marketing campaign and Discover Digital World events are raising awareness of the varied and attractive careers available to those with the requisite digital skills and qualifications. With over £1m of SG funding, the campaign recently started its second burst of activity.
- Since June 2016, Digital Xtra has made £400,000 available to girls and boys across Scotland with the opportunity to develop their digital skills through extra-curricular opportunities such as coding clubs and competitions.

**Q. How does the strategy support help people find jobs in digital?**

- In 2016/17 we introduced **Foundation Apprenticeships** in Software Development and ICT Hardware;
- We also launched a **Digital Skills Foundation Apprenticeship** (industry-led and based qualifications for senior phase pupils).
- In January 2017, we introduced a **Digital Graduate Apprenticeships** to build young people's understanding of digital career opportunities and develops their employability skills.

**Q. What is SG doing to ensure the education system is more responsive to industry needs?**

- We have **doubled our student teacher intake target for Computing Science (CS)**, and used other means (such as the Oil and Gas Transition Fund) to enable workers from other sectors to retrain as CS and STEM teachers;
- We are building teacher confidence and capacity, to benefit learners from 3-18
- The **Plan C** project saw £460K government investment to bring innovative techniques to the teaching of Computing Science in secondary schools. Two other initiatives build on this:
  - Education Scotland has developed **support** to increase the confidence and capacity of primary teachers in promoting digital literacy;
  - Through the **Barefoot Computing programme**, primary teachers now also have access to a range of online support materials and free workshops.

**Q. What is SG doing to tackle the gender gap in ICT subjects and careers?**

- Through the Digital Skills Investment Plan, we have established a **Gender Action Group to tackle the gender gap** in ICT subjects and careers.
- Based on research commissioned from Napier University, this group will deliver a **Gender Action Plan** which was launched in November 2016.
- The action will focus on young women in education and those already in, or looking to return to the labour market.
- Examples include modules to **promote flexible working practices to employers** and the **development of a mentoring framework** for those considering, or looking to progress in, a career in tech



**Digital                      Economy                      &                      Skills**

## ANNEX 21 – CYBER RESILIENCE INCLUDING Q & A

### BACKGROUND BRIEFING

#### Scotland's Cyber Resilience Strategy

- Scotland's cyber resilience strategy, "**Safe, Secure and Prosperous: A Cyber Resilience Strategy for Scotland**" was published in 2015. It sets an ambition for Scotland to become a world leading nation in cyber resilience by 2020.

#### The Cyber Threat

- Digital technologies have transformed the way we do business, socialise and provide key services. However, these digital opportunities are not without risk – and that risk is increasing.
- The National Crime Agency describes the cyber-threat as a "major and growing threat" to UK businesses.
- The cyber-threat is assessed as a **Tier 1 threat** to the UK's national security.
- The National Crime Agency describes it as a "**major and growing threat**" to UK businesses. It assesses that the cost of cybercrime to the UK economy is **billions of pounds** per annum, and that the accelerating pace of technology and criminal cyber capability development currently outpaces the UK's collective response to cybercrime.

#### Programme for Government

- The Programme for Government (2017) commits the SG to working with the National Cyber Resilience Leaders' Board (NCRLB) to develop and implement a suite of **5 action plans**, which will drive Scotland towards our vision of being a world leading nation in cyber resilience by 2020.
- DFM launched the **Public Sector Action Plan on Cyber Resilience for Scotland (PSAP)**, in November 2017. It includes a range of key actions and support for Scottish public bodies around robust cyber governance arrangements, active threat intelligence sharing, clear cyber incident response protocols, and independent assurance of critical technical controls to defend against the most common cyber-attacks.
- If successful, the PSAP will make Scotland the first UK nation to achieve these goals across all our public bodies.
- We are currently working with the National Cyber Resilience Leaders' Board and sector leads to develop complementary action plans for **Scotland's private and third sectors**.
- A **Learning and Skills Action Plan** was launched in March 2018. It incorporates actions aimed at ensuring that Scotland has a strong pool of talented individuals who are technically skilled in cyber security to help secure our country, our businesses, and our public services against current and future threats, and to present Scotland as a global competitor in cyber security goods and services.
- The plan also sets out actions on how citizens can become more cyber resilient. This will be done through awareness- raising and embedding cyber resilience across our lifelong learning system.
- We are working with Scottish Enterprise and other partners to develop an **Economic Opportunity Action Plan** to support innovation and research in cyber security and to boost Scotland's standing as a global competitor in cyber resilience goods and services.

#### Funding of cyber security in Scotland and the UK

- The SG has allocated **£1m** to support delivery of these action plans during 2018-19. We expect this to be complemented by UK Government funding drawn from a National Cyber Security Programme (NCSP) allocation of c. **£6.5m** to support work on cyber security in Scotland until 2021.
- In **2017-18**, **£1.4 m of NCSP funding** was allocated to a range of projects to build cyber resilience within workplaces, schools, universities and the third sector.
- The SG has spent **£5m** from 2015-18 to strengthen its own cyber security arrangements.

## Q&A – Cyber Resilience

### Q. What is the cyber threat to Scotland?

- The recent, unprecedented, joint UK-US Technical Advisory attributing malicious cyber activity to Russia, together with the WannaCry ransomware attack last year, serve as reminders of the real and significant cyber threat.
- Cyber resilience needs to be core to realising Scotland's digital potential. As much as 80% of cyber-threats can be prevented by getting the basics right (e.g. updating software when prompted).
- Due to the nature of the cyber threat, and our interconnected digital economy, ensuring Scotland's cyber resilience must be a **shared endeavour** across all sectors. We all have a stake in making Scotland one of the safest places in the world to live and do business online.
- The UK's **National Cyber Security Centre (NCSC)** and the **National Crime Agency (NCA)** assess that the cyber threat to UK business is **significant and growing**. In its first year of operation (2017), the NCSC reported that it responded to **590 significant cyber incidents**.
- There is currently a lack of data that calculates the true economic cost of cybercrime in Scotland, as much of it goes unreported. The NCA assess that cybercrime costs the UK economy **billions of pounds** per annum.

### Q. What work is underway with the National Cyber Security Centre to detect the source of criminal activity and to strengthen our cyber defences?

- The Scottish Government works closely with NCSC to understand the cyber threat. The NCSC has deepened this cooperation by inbedding a partnership officer in Scotland.
- The ability to quickly **share experience and intelligence** is key to tackling cyber threats.
- The NCSC has established the **Cybersecurity Information Sharing Partnership (known as CISP)** to support the sharing of relevant information.
- **All organisations in Scotland are urged to consider joining CISP.**

### Q. What steps should organisations take to prevent / mitigate against such attacks in future?

- There is very good, simple, free advice available from the National Cyber Security Centre.
- The NCSC endorses the **Cyber Essentials** scheme, which sets out five controls to significantly reduce an organisation's vulnerability to cyber-attacks. The scheme is intended to be suitable for organisations of all sizes, in all sectors.
- The NCSC advises that organisations can undertake three simple, easy-to-implement defences against cyber-attacks, including ransomware, which very considerably reduce the risk of attack and the impact of successful attacks:
  - *Number 1: Keep your organisation's security software patches up to date.*
  - *Number 2: Use proper antivirus software services.*
  - *Number 3: Back up the data that matters to you, because you can't be held to ransom for data you hold somewhere else.*

### Q. How much are you spending overall on cyber resilience in Scotland?

- The SG has committed **£1m in 18-19** in support of all 5 cyber resilience action plans under the PfG (including staffing costs).
- The SG has spent **£5m from 2015-18** to strengthen its own cyber security.
- The Scottish Government provides **£100 million per annum** to Health Boards for IT investment including cyber security resilience. Health Boards spend at least the same amount per annum. In 2016/17 total spend was around **£257m**.
- The Scottish Government has also secured **around £6m** over 4 years to 2021 under the UK Cyber Security Programme for cyber resilience work in Scotland.
- During 2017-18, **20 projects** were funded by **£1.3m** to improve and build on Scotland's cyber resilience including:
  - in-depth analysis of the scale and impact of cyber-crime in Scotland;
  - projects to promote and support the take-up of Cyber Essentials;
  - development of educational resources and qualifications in cyber subjects;
  - awareness raising campaigns for youth audiences.

**Q. Was the Public Sector Action Plan been launched because you believe Scottish public bodies don't currently have basic cyber security in place?**

- No. It is clear that Scottish public bodies already take cyber resilience seriously and have a wide range of cyber security measures in place.
- However, different public bodies are at different stages of their journey towards cyber resilience, and they are working to a wide range of different standards.
- The action plan will **help bring greater coherence** to those efforts, and ensure that we, and the public, can have confidence right across the sector that common baseline standards are in place.

**Q. Is the Scottish Government itself meeting the baseline requirements set out in the Action Plan? What are you doing to lead by example?**

- The Scottish Government aims to be an exemplar in this area.
- We are currently taking forward work to ensure we comply with the baseline requirements of the Action Plan, including exploring our compliance with the five critical controls set out under the Cyber Essentials scheme.
- As part of its Corporate Cyber Security Strategy 2020, the Scottish Government has already implemented robust defences and monitoring to mitigate cyber-attacks. We continually review and improve these defences as new threats and intelligence emerge.
- The SG has spent **£5m from 2015-18** to strengthen our own cyber security arrangements.

**Q. What about Scottish health boards? Are they meeting these baseline requirements? Could they now prevent another WannaCry?**

- The detailed applicability of the action plan to **health boards** will be discussed in due course with a new **Competent Authority**, which will oversee implementation of the NIS Directive in the Scottish health sector (and possibly other sectors too).
- A range of security measures are already in place to ensure health boards can respond appropriately to cyber-attacks.
- Following the Wannacry attack, **Scottish Government eHealth** is investing in the development of a **National Information Security Management System**, which will provide greater resilience, as well as central monitoring and control across NHS infrastructure.
- The Scottish Government provides **£100 million per annum** to Health Boards for IT investment and cyber security resilience. Health Boards spend at least the same amount per annum. In 2016/17 total spend was around **£257 million**.

**Q. What support is the Scottish Government offering to implement the plan?**

- It is important that cyber resilience is seen as a "business-as-usual" responsibility for individual Scottish public bodies and indeed across all sectors.
- It is critical that **board-level executives** are responsible for cyber resilience within their own organisations.
- Coordination of Scotland-wide work on the **public sector action plan** will be led by the Scottish Government. The action plan commits us to:
  - Working with key partners to develop and finalise the **public sector cyber resilience framework**.
  - **Funding Cyber Essentials "pre-assessments"** for all public bodies, to support senior management to decide on appropriate independent assurance around critical controls against cyber-attacks. *(NB: This is UKG money).*
  - Developing a **central cyber incident reporting and coordination protocol**, and a **"template" cyber incident response plan** for public bodies. An interim policy was disseminated in December 2017.
  - Developing and disseminating core **training and awareness raising materials** for use by the wider public sector.
  - **Supporting the work of the public sector cyber catalysts** to develop and implement common solutions across the public sector over time, with a view to making the Scottish public sector an exemplar. The Scottish Government is a cyber catalyst organisation.

## ANNEX 22 – CONNECTIVITY

### BACKGROUND BRIEFING – CONNECTIVITY

#### BROADBAND

- **Telecommunications is wholly reserved to Westminster.** The absence of a UK-wide strategy for improving rural connectivity has meant that the Scottish Government has had to take the lead, given its economic importance.
- The **Digital Scotland Superfast Broadband (DSSB) programme exceeded its 95% fibre coverage target** by the end of 2017. More activity is planned during 2018, extending coverage even further across every local authority area.
- Broadband coverage in Scotland has traditionally lagged behind the rest of the UK but we have bridged the gap in recent years. Ofcom's data shows that, since 2014, superfast broadband coverage in Scotland has risen by 30 percentage points to 91%, compared with 18 percentage points for the UK as a whole. The success of the DSSB programme has made a huge contribution to this.
- In fact, using thinkbroadband data – the same independent analysts used by the UK Government – the difference is again significant. Their data shows that superfast broadband coverage in Scotland has increased by nearly 21 percentage points to over 93%, compared with an increase of around 12 percentage points for the UK as a whole.
- The simple truth is that no matter what source you use, Ofcom or thinkbroadband, Scotland has caught up dramatically with the rest of the UK.
- But we recognise that there is more to do. That is why the Scottish Government has committed to extending **superfast broadband access to 100% of premises in Scotland – the only part of the UK to do so.**
- We have committed £600 million to the initial phase of the Reaching 100% (R100) programme. **This is the biggest public investment ever made in a single UK broadband project.**
- **The UK Government contribution to R100 is just £21 million – 3% of the total.** Using the same split as DSSB, the UK Government's contribution to R100 should be around £218 million. It is vital that the UK Government delivers on its reserved responsibilities and allocates a fairer share of funding to R100.
- The UK Government has decided that a **10Mbps broadband Universal Service Obligation (USO)** is sufficient for rural Britain. What's more, they appear intent on **cutting Scottish consumers out of the USO completely**, despite the fact that they will be asked to pay for it alongside consumers in other parts of the UK. This is grossly unfair; and it is vital that Scotland sees some benefit from the broadband USO.
- It is **vital that the UK Government provides clarity and commits to joint working with the Scottish Government and Ofcom** to ensure effective alignment between the USO and R100, ensuring it delivers for Scotland too. **Scotland should not be penalised for having implemented a more ambitious agenda.**

#### MOBILE

- Just as we have taken the lead on broadband through our investment in R100, so the **Scottish Government is leading the way on improving mobile coverage** in Scotland, in the absence of any UK-wide plans.
- **We have agreed an action plan with mobile operators – the first of its kind in the UK – aimed at improving coverage.** A key part of this is our **£25 million Scottish 4G Mobile Infill Programme**, which will deliver new future-proofed, 4G mobile infrastructure to selected mobile 'not-spots'.

#### Lines to Take



- We know that good quality digital infrastructure is vital for a successful economy, and we do not want Scotland to be left in the digital slow lane.

### **Digital Scotland Superfast Broadband**

- **With our partners in the Digital Scotland Superfast Broadband (DSSB) programme, we have dramatically increased the availability of broadband across the country.**
- Without DSSB, commercial investment by BT, Virgin and others would only have reached 66% of homes and businesses. **In the Highlands and Islands region, only 21% of premises would have been served by the market.**
- **However, no provider planned to invest in the Orkneys, Shetland Islands or Western Isles.**
- Our own internal data, as well as thinkbroadband's – the same independent analysts used by the UK Government – show that, by the end of 2017, we had exceeded our target of 95% fibre broadband coverage across Scotland.
- However, we know that not everyone has the access or speeds they need or want.

### **Reaching 100% Commitment**

- **Despite telecoms in the UK being reserved to Westminster we have committed to delivering access to speeds of at least 30Mbps to all of Scotland by the end of 2021. We are backing this commitment with an initial investment of £600M.**
- **There is no other such commitment anywhere else in the UK.**
- SG believes that public funding should focus on Scotland's hardest to reach rural areas, leaving coverage gaps in urban areas to be filled by commercial suppliers in the first instance.
- Emerging plans from the likes of BT, Virgin Media, CityFibre and Vodafone – amongst others – are greatly encouraging and suggest that this is the correct approach.

### **Mobile**

- Access to mobile services is just as important as broadband, particularly in rural areas and particularly for industry sectors such as tourism.
- Despite telecoms being reserved to Westminster, the UK Government offers no coherent plan on mobile – so we are taking action.
- In 2016 we developed a ground-breaking Mobile Action Plan, the first of its kind in the UK, with mobile operators to improve 4G coverage. A key part of this is our **£25 million Scottish 4G Mobile Infill Programme**, which will deliver new future-proofed, 4G mobile infrastructure to selected mobile 'not-spots'.
- Our Scottish 4G Infill Programme aims to push 4G coverage beyond commercial rollout. We will invest up to £25 million of public funding to deliver future-proofed, 4G mobile infrastructure to selected mobile 'not-spots'.
- The programme aims to deliver 60-70 sites across Scotland, and presently, an initial 16 sites have been identified. We are currently working to identify potential candidate sites for inclusion. Sites will be considered primarily on the basis of impact on population coverage alongside other criteria.

## ANNEX 23 – TENANT FARMING – GENERAL BRIEFING NOTE

### Tenant farming – general briefing note

#### Top line

- Research undertaken for the Scottish Land Commission, in the last six months, highlights that the majority of landlords and tenant farmers are content with their landlord/ tenant farmer relationship (respective figures are 88% and 82%).

#### The Agricultural Holdings Legislation including Rent Reviews

#### Implementation of the agricultural holdings provision in the Land Reform (Scotland) Act 2016

##### Lines to take

- As was always planned, Part 10 of the 2016 Act is being implemented in phases. The measured approach to implementation is important due to some of the complex and sensitive issues involved.
- Getting it right will make a positive difference to the future as part of a stronger, more robust and forward looking tenant farming sector, and will help deliver a highly significant contribution to the rural economy throughout Scotland.
- The new provisions in the 2016 Act will help build a more vibrant tenant farming sector including through the creation of new routes into farming and providing the flexibility that tenant farmers require for their farming business to grow in the future.
- Tenant farming remains a key part of the Scottish agriculture and the rural economy. Having a thriving tenant farming sector, over the coming years, as part of the agricultural industry across Scotland post-Brexit is key to ensuring that we get the most from our land and the tenant farmers/ people who farm it.

#### Testing of the Rent Review System

##### Lines to take

- We published on 29 January this year, a detailed Report - by Savills and other key industry specialists - on the Testing of the Rent Review System. This is the result of significant consultation with key stakeholders – NFUS, SLE and STFA - who are broadly supportive of the work done to date.
- We are committed to delivering an agricultural rents system in a reasonable and proportionate manner which is as fair as possible to all parties. However it is recognised that agreement is likely to require some compromise.
- While this Report marks a significant step towards identifying workable solutions and is a solid basis for future agreement, further work is required to resolve some of the issues that have been raised.
- We continue to work with key stakeholder organisations, from across the sector, to achieve this and officials will meet again with these organisations in late May/ early June.

#### Tenant Farmers Court of Session action against Scottish Ministers

## Top lines

- The litigation remains live and therefore, it is not appropriate for Scottish Ministers to make any comments on the litigation. However, I fully understand that the families involved in the Court of Session action are in a difficult position and we have sympathy for their predicament.
- The tenant farmers appeal of the Court of Session judgement was heard on 23 to 25 January and that the appeal is still to be determined by the Court.

 Date: May 2018

## • ANNEX 24 – MIGRANT AGRICULTURAL WORKERS AND BREXIT

25 March Scottish Government published research into Seasonal Migrant workers in Scottish Agriculture. Last year there was an estimated 15-20% shortage in seasonal workers on Scottish farms, with the two main reasons being concerns about Brexit and the fall in the value of the pound.

The Scottish Government says that the impact of the Brexit vote has created a labour shortage in the agriculture sector, mainly as the fall in the value of the pound means migrant workers can earn more in the Eurozone.

Michael Gove (Secretary of State at Defra) said in a visit to Angus Soft Fruits on 4 February that there would be "complete clarity" on future access to migrant agricultural workers by the end of March.

The UK Government has postponed both the immigration white paper and the Immigration Bill. There is no further clarity on future immigration arrangements for EEA workers in any sector beyond the end of the transition period, when the UK says free movement of people will end.

### Top Lines

- Reducing access to labour and skills by ending free movement will damage businesses in every sector of the economy in Scotland and the UK.
- Even before we leave the EU the impact of Brexit is being felt in the agriculture sector, because:
  - mobile workers can earn more in the Eurozone due to the weak pound;
  - many EU citizens are choosing to leave the UK, or not come here, due to uncertainty about their status after Brexit; and
  - membership of the EU has helped improve employment conditions and social protections in the country of origin of many of those migrants.
- The Scottish Government's preference is for migration policy that is specific to Scotland's needs and meets the needs of agriculture sector. However this solution must also meet the needs of the wider economy and address our demographic challenge.
- The UK could end the uncertainty by committing to remaining in the European Single Market and Customs Union and keeping free movement of people.

### The end of free movement will damage business across Scotland

- The Migration Advisory Committee (MAC) published an interim report to the Home Secretary this week, Tuesday 27 March.
- The MAC found that a substantial majority of employers across Scotland are concerned about access to the EEA labour market and would support continued free movement of people.
- Employers say in the MAC report that the "costly, time-consuming and excessively bureaucratic" Tier 2 visa system for international immigration is not suitable for dealing with European workers after Brexit.
- The MAC presents evidence from employers across 20 sectors of the economy expressing concern about the negative impact of Brexit on access to labour and skills.
- This makes clear that the challenges we see in agriculture already will be replicated across every sector of the economy without clarity from the UK.
- We need a whole economy approach to immigration to meet the challenges which every sector will face.

### The Scottish Government has made clear proposals on migration

- The Scottish Government's evidence to the MAC published in November set out the positive impact EU citizens are making to business across Scotland and the risks of ending free movement of people.
- Our publication *What's At Stake For Business* provided clear evidence of the risks employers themselves identify in ending free movement of people.
- In oral evidence to the Scottish Affairs Committee in February the representative of NFU Scotland said the organisation's position was that they would "rather have a UK common approach, but if that is

*not going to happen, then we are up for a discussion about how we might implement something that might afford Scotland to do its own thing.”*

- The UK Government position on migration does not work for Scotland's needs, and that is why the Scottish Parliament has recently joined the Scottish Government in calling for new powers to enable a Scotland-specific policy.

#### **The UK Government has kicked the can down the road on immigration**

- The UK was supposed to have published a White Paper on Immigration last year, and an Immigration Bill at the start of this year. Both have been postponed until the end of 2018.
- It took over a year from the Brexit vote for the Home Secretary to commission the MAC to look at the impact of EU migration in the UK (July 2017). The MAC won't make their final report until September 2018.
- On seasonal agricultural workers, Michael Gove said there would be “*complete clarity*” by now, but Immigration Minister Caroline Nokes told the Scottish Affairs Committee on 27 March she wouldn't “*pre-empt*” the MAC advice.
- Gove said on 4 February that “*our aim is to provide farmers and producers with the tools they need to ensure they can grow and sell as much produce as possible.*” (Quoted in *Dundee Courier*, 5 February)

#### **The agriculture sector is already feeling the impact of Brexit**

- Up to 10,000 non-UK seasonal workers work on Scottish farms each year, and those employers have no further clarity on future immigration arrangements for European workers, and no access to international migrant labour.
- Our evidence to the MAC set out very clearly the crucial role EU citizens are playing in our agriculture sector and the risks to that sector.
- There is demand across Europe for seasonal agricultural workers, and we are already seeing these highly mobile EU workers are choosing other high-income countries such as Germany or the Netherlands instead of the UK.
- However, the contribution of migrant workers is not limited to just this sector. Workers from overseas make an essential contribution right across the economy of Scotland and the UK.



## ANNEX 25 – TOURISM IN SCOTLAND

### TOURISM IN SCOTLAND

#### Line to take

- Tourism remains one of the Scottish Government's seven key economic growth sectors. Our Programme for Government commits us to supporting the development of tourism in the South of Scotland.

#### Scotland's Tourism Economy

The Report: Tourism in Scotland: Economic Contribution of the Sector was published on the 24<sup>th</sup> April. Jointly developed between SG, SE, VisitScotland, HIE and the Scottish Tourism Alliance, it uses existing publically available data for an overall picture of the economic picture of Scotland's tourism sector. The report highlights –

- **overall overnight visitor numbers fell by 9% from 2011-16, but international visitor numbers and overall overnight expenditure increased;**
- **tourism contributes around £6 billion to Scottish GDP;**
- **tourism employs 207K people – one in twelve jobs in the economy, and up 12% since 2011;**
- **the importance of tourism as an employer across Scotland, particularly in areas like the Highlands, Argyll & Bute, the Ayrshires, and Edinburgh.**

#### South of Scotland Tourism Economy

The Sustainable Tourism Growth Sector (STGS) in the Scottish Borders and Dumfries and Galloway combined:

- **Businesses:** In 2017, there were around 1,000 businesses in the STGS (no change from 2016) - **7% of Sustainable Tourism businesses in Scotland as a whole.**
- **GVA:** In 2015, GVA in the STGS was around £175 million (a drop of £5m compared to 2014) – approx. **4.6% of Sustainable Tourism GVA in Scotland as a whole.**
- **Employment:** In 2016, employment in the STGS was around 10,000 (down from 11,000 in 2015) - **4.8% of Sustainable Tourism employment in Scotland as a whole. The sector accounts for 9.6% of employment in the Scottish Borders and Dumfries & Galloway, compared to 8% in Scotland as a whole.**
- **Domestic visits:** In 2016, domestic visitors made around 897,000 trips to the Scottish Borders and Dumfries & Galloway (Great Britain Travel Survey 2016).
- **Overseas visits:** In 2016, overseas visitors made around 72,000 trips to the Scottish Borders and Dumfries & Galloway, and spent a total of around £21 million in the region (ONS International Passenger Survey 2016).

#### Collaborative Economy

The Scottish Expert Panel on the Collaborative Economy has gathered a wide evidence base on a range of topics, including short-term lets. The panel's full report was published 29 January. A formal government response to the consultation will be issued by Spring.

- Scottish Ministers understand the calls in some parts of the country for new controls over short-term letting of residential properties. However, while recognising the benefits, **we must ensure that there is a balance between encouraging competition and ensuring sufficient and proportionate regulation.** We are engaging with stakeholders to gather further evidence on the issues around Short-Term Lets and will consider this before deciding on the next steps.
- **We welcome the City of Edinburgh Council's and Airbnb's offer to work with Scottish Ministers** and local government as we take forward this work.

#### Digital and data

Connectivity across Scotland, both in terms of mobile and broadband coverage is a key priority.

- **We have invested over £400m through the Digital Superfast Broadband Programme** to provide 96% of premises with access to fibre broadband – 30% more than would have been the case without it.
- **We have made improving mobile coverage a top priority.** The Scottish 4G Infill Programme – a £25 million initiative - will deliver 4G coverage in up to 60-70 mobile “notspots”, initially focusing on 16 specified sites.
- We continued to support Digital Tourism Scotland - a **£1.2 million, 3 year public and private sector partnership** project running until 2019, which will **improve the digital skills and capabilities** of tourism businesses.

### Rural Tourism Infrastructure Fund (RTIF)

Our natural resources can also be victims of their own success. To alleviate pressure, we have established the Rural Tourism Infrastructure Fund.

- Funding was secured for three pilots for 2018-19 – car parking at Stones of Stenness in Orkney - £80k; car parking at Neist Point on Isle of Skye - £100k; and toilet facilities at the Fairy Pools – up to £300k.
- **VisitScotland are responsible for managing the £6m fund which opened to applications on 30 March.** The fund is available to local authorities or the National Park Authorities. There will be 2 opportunities for applications in 2018-19. Funds will be awarded in September and March.

### Skills

The Tourism Skills Group, facilitated by Skills Development Scotland, is working to implement the actions identified within the Skills Investment Plan:

- improving management, leadership and enterprise skills;
- supporting the development of professional and digital skills;
- ensuring staff at all levels understand and are able to respond to visitor needs and expectations; and
- raising the attractiveness of the sector as a career path.
- Modern Apprenticeships are a key route into the sector with **nearly 3,000 hospitality Modern Apprenticeships in 16/17.** Our 2018 Year of Young People will also showcase to employers the skills and talents that our young people have to offer.
- Borders College in Galashiels offers courses such as Break into Hospitality, Catering & Hospitality Levels 1-3 and Wines & Spirits. Dumfries & Galloway College in Dumfries also offers a number of courses in Food and Drink, Hospitality and professional Cookery.

### SG support for tourism in the SoS

- In 2018-19 we will provide VisitScotland with £500k additional marketing money to develop a marketing strategy for the South of Scotland.
- We will also provide Forest Enterprise Scotland with £500k capital for the south of Scotland to improve its visitor offer. Early indications suggest that some of this money will go towards the Tweed Valley Master Plan and support mountain biking trail developments at Glentress Peel. This proposed c.£1.8m project will enable Forest Holidays to proceed with a £10 million investment in 56 eco cabins.

### Green tourism

- **50% of Scotland’s visitors come to enjoy our scenery and landscape,** so supporting our environment is important to the future success of the visitor economy.

- The Green Tourism Business Scheme (GTBS) has been in operation since 1997 and is the largest and most established schemes of its type in the World. The GTBS has over 2300 members throughout the UK and Ireland, with over 850 members in Scotland. In Scotland the GTBS was developed through a partnership with VisitScotland.
- Green Tourism launched its 20-year impact report at the Scottish Tourism Alliance reception on 28<sup>th</sup> March. This indicated 5 million bed nights in Green Tourism serviced accommodation in Scotland (2016), with over 25 million people visiting a Green Tourism visitor attraction (2016).

**Tourism Team**  
**May 2018**



## ANNEX 26 - TOURISM – SCOTTISH GOVERNMENT SUPPORT

### WHAT WE HAVE DONE

#### For VisitScotland

- VisitScotland's grant-in-aid resource budget in 18/19 is **£39.6m**. This is a reduction of £800k (2%) from the previous year.
- Capital budget has increased to **£2.25m**. As set out in the VisitScotland's budget allocation letter, the capital budget comprises:
  - £1.000m for the "Scotland is now" project
  - £1.250m for the Visitor Information Centre project and general maintenance.

#### For Digital Capability

- Along with our visitor economy agencies, we continued to support Digital Tourism Scotland - a **£1.2 million, 3 year public and private sector partnership** project running until 2019 across Scotland, which will **improve the digital skills and capabilities** of tourism businesses.
- **To end January 2018, the project has delivered 281 workshops to 3854 delegates.** There have also been 5 industry events and an **audience of 24,000 people** has received the Digital Tourism Scotland message.
- **82% of those businesses that have engaged** with the project have reported as more likely to introduce digital processes.

#### For Connectivity

- **We have made improving mobile coverage a top priority.** The Scottish 4G Infill Programme – a £25 million initiative - will deliver 4G coverage in up to 60-70 mobile "notspots", initially focusing on 16 specified sites.
- Improvements to connectivity will support the *Tourism Scotland 2020's* digital priority – one of four key priorities identified in its mid-term review.

#### For Rural Tourism

- **We have established the £6 million Rural Tourism Infrastructure Fund** a fund to provide investment in infrastructure to support sustainable growth in rural tourism across Scotland.
- **In March 2018, we announced our first three pilots, In Skye and Orkney.**
- Through our **mandatory Rural Rates Relief scheme and our small Business Bonus Scheme, we have helped** a number of small rural hotels to cope with increasing business costs.

#### For inclusive tourism

- Working with VisitScotland and the Family Holiday Association, we have provided **ScotSpirit Breaks to over 600 families.**
- During its two year pilot period in 2015-2016, a total of **382 carers also enjoyed a Respite break.**

### WHAT WE ARE DOING

#### Connectivity

- We are **working closely with the industry through our Mobile Infill Action Plan** to improve and increase mobile coverage across Scotland.
- **We have invested over £400m through the Digital Superfast Broadband Programme to provide 96% of premises with access to fibre broadband** – 30% more than would have been the case without it.
- As of **31 December 2017, 135,000 of the 162,000 premises in the Highlands and Islands** that have access to fibre broadband are already able to access speeds of 24 (Mbps) and above.

### Through The Enterprise Agencies

- **Scottish Enterprise provides a range of support for tourism businesses**, including innovation, tourism leadership, business improvement, digital and international development. This includes **intensive one to one support to 94 tourism account managed companies**.
- It also supports **International market development** for Scottish companies and the attraction of **international inward Investment** in key tourism infrastructure.
- **Highlands and Islands Enterprise account manages 100 tourism businesses** and organisations, ensuring remote communities benefit at the same time as larger towns. It is also working with the University of the Highlands and Islands to **develop a strong adventure tourism product** and with Scottish Development International to **address Inverness bed space needs**.

### For Destinations

- Through VisitScotland, Highlands and Islands Enterprise and Scottish Enterprise, **we fund a wide range of destination marketing organisations and also offer other support**, such as advice, workshops and other developmental and marketing support.
- In 2016/17, the VisitScotland Growth Fund awarded grants totalling **£341,440** to 13 groups.
  - **Scottish Enterprise's destination fund** currently supports the following projects with in excess of £1m funding: **Midlothian Borders Tourism Action Group; Glasgow Canal; Cruise Forth; Love Loch Lomond – Collaborating for Success and Cairngorm Snow Roads Scenic Route Development**

alongside more than £3 million destination development support for Scotland's biggest cities, Edinburgh, Glasgow and Aberdeen.

## **WHAT WE HAVE PLANNED**

### For Connectivity

- We will progress our Mobile Action Plan infill programme **to extend coverage into rural areas not served by the commercial rollout**.
- We are **laying the groundwork for future 5G deployment** as a priority.

### For Broadband

- We are committed to delivering **100 per cent superfast broadband access by the end of 2021** to ensure that all parts of Scotland can benefit.

### Air Passenger Duty replacement

- We have set a **clear aim to reduce Air Departure Tax by 50% by the end of this Parliament** and abolish it altogether when resources permit.

- We want to **protect the existing Highlands and Islands exemption**, which needs approval by the European Commission – and that requires action by the UK Government, as the relevant member state.
- A cut will help boost international connectivity and generate sustainable growth – priorities that are even more pressing as a result of the EU referendum

#### **For Inverness**

- Through the Inverness and Region City Deal, we are **providing £15m capital investment to enable Inverness Castle to be turned into a visitor attraction** of national importance by 2021, for the economic benefit of the city and the wider Highlands.
- **HIE will also use the Northern Innovation Hub (£11.5m)** part of the city deal to help develop the Highlands for adventure tourism, and encourage more tourism businesses to engage in international trade. Digital city deal money (with HIE support) will be used for business development, skills and wi-fi open access.

#### **For The South Of Scotland**

- We will work with partners to promote the South of Scotland as a visitor destination **and have allocated £500k funding in 2018/19 to support additional marketing.**
- We have also allocated **£500k of capital funding to develop forest tourism opportunities.**
- We will also explore the delivery of **walking and cycling routes** in Ayrshire and have allocated £300k to develop its feasibility.

**Tourism Team  
March 2018**

## • ANNEX 27 – SOCIAL ENTERPRISE

### TOP LINES

**Social enterprises are businesses that trade for the common good.**

- **They seek to make profits, but are committed to reinvesting these into a social mission**, for example, delivering local community projects or services, creating employment for disadvantaged people or protecting the environment.
- **Social enterprise promotes economic growth that is inclusive.** They generate prosperity with greater equality, creating opportunities for all and distributing the benefits of increased prosperity fairly.
- **Social entrepreneurs are driven by a passion to improve the world in which they live**, often with a focus on early intervention. Social enterprise is a sustainable model that communities can use to tackle tough social issues.
- **Consumers are increasingly interested in the ethical practices of those they buy from.** Social enterprises are well positioned to meet this increasing demand for socially responsible products and services.

**Scotland is a world-leading social enterprise nation.**

- **Following a decade of investment Scotland's 'eco-system of support' for social enterprise is recognised as world-leading**, featuring a national incubation programme, free business support and affordable social finance.
- **The Scottish Government published a ten-year social enterprise strategy to ensure this movement realises its full potential**, co-produced with Scotland's social enterprise sector and launched in December 2016.
- **We have already published the first of three delivery plans to realise this vision**, setting out 92 actions including expanding our schools programme, doubling seed funding and expanding Community Shares Scotland.
- **Scotland will host the Social Enterprise World Forum this September**, welcoming thousands of delegates and marking ten-years since the inaugural event took place in Edinburgh in 2008.

**The social enterprise sector in Scotland is unique and it's growing.**

- **The Scottish Government is committed to conducting a national census of the social enterprise sector every two years**, to help understand the size, shape and needs of this emerging sector.
- **The 2017 Census found 5,600 social enterprises operating across Scotland, an increase of 8%.** The sector is mostly led by women (64%), contributes £2 billion to the economy and employs over 80,000 people.

## Social Enterprise and Rural Scotland – Key Facts

- **Rural Scotland now accounts for 34% of Scotland's social enterprises, despite being home to only 18% of the nation's population.** The highest densities of social enterprises are found in the Highlands and Islands.
- **Highest densities** are found in the Shetland Islands and Western Isles (4 social enterprises per 1,000 people), Orkney Islands and Argyll and Bute (3 per 1,000 people), and Highland (2 per 1,000 people) council areas.
- **Social enterprise in rural Scotland is growing**, there has been an increase of 15% since the last census in 2015.

## National Start-Up Incubator

Since 2009, the Scottish Government has invested over £3.5 million into the Social Entrepreneurs Fund.

- Delivered by Firstport, the Social Entrepreneurs Fund is **Scotland's national start-up incubator** for social enterprise.
- Provides **free business support, networking opportunities** and **seed capital** to early stage social entrepreneurs.

The Social Entrepreneurs Fund has supported **10 social entrepreneurs in the Dumfries and Galloway area and 14 in the Scottish Borders.** Examples include:

- **'Well-Weaving Studio'** in the Scottish Borders – accessible hand weaving technique to promote wellbeing in disadvantaged communities (business advice and £5,000 seed capital).
- **'Action on Mould'** in Dumfries and Galloway – tackling poor living conditions by removing harmful mould in homes and public buildings (business advice and £4,500 seed capital).
- **'Practical Space Solutions'** in the Scottish Borders – providing opportunities for those furthest from the labour market through construction (business advice and £3,620 seed capital).

Contact 

## • ANNEX 28- RURAL TRANSPORT



### Top Lines

- We fully appreciate the fundamental need for efficient transport connectivity in our rural communities. Annually, we provide over £1 billion for public transport and other sustainable options and are fully engaged with the Regional Transport Partnerships to ensure specific issues for each area are addressed within our national plans.
- This is over and above our ambitious plans to dual the A9 and A96, at a combined cost of £6 billion which are part of the largest transport investment programme that Scotland has ever seen.
- We have successfully reintroduced a passenger rail service to the Borders for the first time since 1969, opening up communities in the South-East of Scotland as new places to live, work and visit. We will examine the case for an extension of the railway along with improvements to the A1, A7, and A68.
- In the first half of 2018 the Scottish Government will introduce a Road Equivalent Tariff (RET) on the Pentland Firth routes, whilst a variant of the RET scheme will be brought in on the routes from Aberdeen to Kirkwall and Lerwick. In the meantime, passenger and car fares on the Northern Isles network have been frozen for 2017 for the second consecutive year.
- Scottish Rural Action, as a member of the National Transport Strategy Review Partnership Group, is having a say in influencing the development of transport policy, infrastructure and services at local, regional and national level, as we are taking the review forward..

### Since 2007, we have invested significantly in ferry services and the Road Equivalent Tariff (RET) to promote the economic and social sustainability of our remotest and island communities.

- RET approach to passenger, car (including small commercial vehicles up to 6m in length) and coach ferry fares currently in operation on all CHFS routes.
- Analysis of the roll out RET to Islay, Colonsay and Gigha in 2012 shows a 8% increase in passenger numbers and a rise in the number of visitors to the Islands (an additional 6,444 people over a 2 year period).
- We will continue to invest in new ferries and in redeveloping and improving ferry facilities, including those at Brodick due for completion in summer 2017.

### Our annual Bus Service Operator's Grant (BSOG) subsidy of £50 million plus for the bus industry helps keep fares at affordable levels and enable operators to run services that

**might not otherwise be commercially viable, an approach that is of particular assistance in rural areas.**

- Longer bus services receive a greater benefit than shorter services which is of particular assistance to rural areas.
- BSOG covers for Demand Responsive Community Transport bus services to around £1.5m, which are crucial in rural areas.
- We will also invest £3 million in low carbon buses through our 7<sup>th</sup> Green Bus Fund call in 2017/18. We have committed to extend the fund in PfG 2017.

**Island communities also rely on efficient air links, that is why we support the Scotland's 19 PSO air services and provide over £35 million for Highlands and Islands Airports Ltd (HIAL).**

- We will maintain the existing air discount scheme (ADS) in 2017-18 at 50% on core air fares on eligible routes to residents and volunteers and employees of the Third Sector in the remotest parts of Scotland: Orkney, Shetland, Western Isles, Islay, Jura, Colonsay, Caithness and North-West Sutherland.
- PSO air services ensures our remotest airports can continue to serve their communities, with further benefits for residents accrued through the ADS on eligible routes.



## ANNEX 29 – 11<sup>th</sup> OECD RURAL DEVELOPMENT CONFERENCE

The 11<sup>th</sup> OECD Rural Development Conference was held in Edinburgh on 9<sup>th</sup> to 11<sup>th</sup> April. Over 450 delegates from around 30 countries attended. It was hosted by the Scottish Government alongside OECD, UK Government and the EC. Supporting partners included HIE, SE and Scotland Food & Drink. Ms Hyslop attended event, speaking at the Dinner, High Level Breakfast and the High Level Plenary. Ms Hyslop also had a bilateral with the OECD Deputy Secretary General, Mari Kiviniemi.

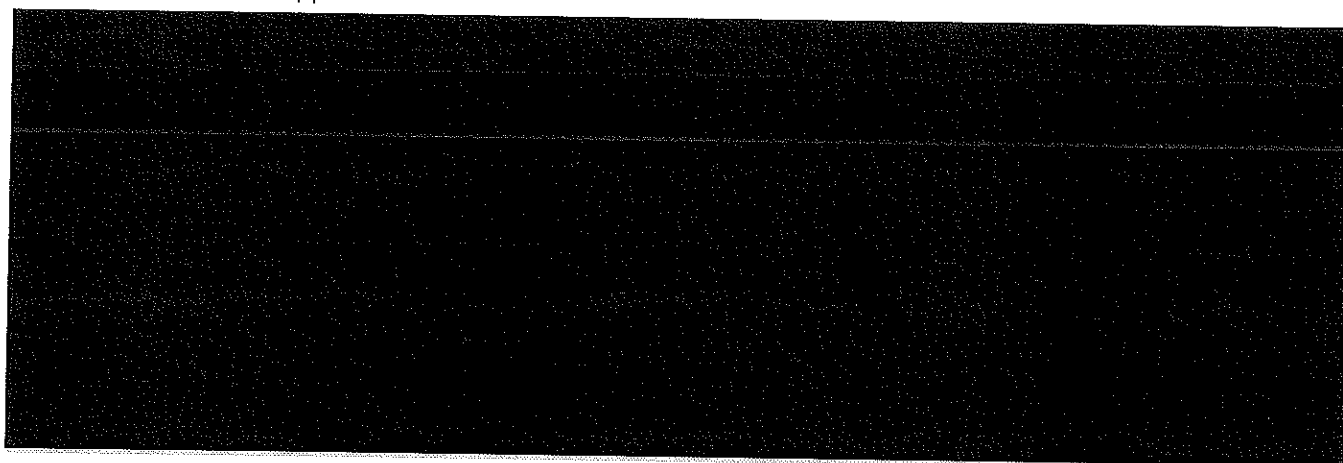
### **Edinburgh Policy Statement (provided separately)**

Conference ended with the publication of the Edinburgh Policy Statement. The statement reflects the views of delegates as well as the views expressed by Ministers at the High Level Breakfast. Ms Hyslop's reflections during the breakfast are included in the policy statement (explicit mention of natural capital and that rural development is essential to inclusive growth).

The Statement highlight 10 key drivers for change that are predicted to influence the future of rural economies (additive and distributive manufacturing, digital connectivity, cloud computing & the internet of things, drones, driverless cars, education, health, shifting values and preferences, decentralised energy systems and finally food. (Ten Key Driver Paper summary attached)

The statement is clear that upgrading skills and innovation are paramount if rural areas are to seize the opportunities. The Statement also confirmed calls from OECD that policies should be integrated with a robust rural policy focused on enhancing the social, economic and environmental well-being of rural areas.

Feedback from the conference has been very positive. OECD (and other delegates) are very impressed by the work that is being undertaken in Scotland, particularly with respect to social innovation, inclusive growth, place based approaches.





## ANNEX 30 – PLANNING & RURAL DEVELOPMENT

### Top Lines

- The planning system encourages rural development that supports prosperous and sustainable communities and businesses whilst protecting and enhancing environmental quality.
- Scottish Planning policy recognises that the planning system should in all rural, and island areas promote a pattern of development that is appropriate to the character of the particular rural area and the challenges it faces.
- Following the Planning Bill, Ministers will look to review National Planning Framework and Scottish Planning Policy with a view to adoption in 2020.

### Background – SPP and NPF

Planning policy is currently contained in the National Planning Framework (NPF) and Scottish Planning Policy (SPP). The NPF reflects a vision for vibrant rural, coastal and Island areas, with growing, sustainable communities supported by new opportunities for employment and education.

SPP recognises that rural areas in different parts of the country face their own challenges unique to their local geography and individual circumstances. For example: In remote and fragile areas outwith defined small towns, the emphasis should be on maintaining and growing communities by encouraging development that provides suitable sustainable economic activity, while preserving important environmental assets such as landscape and wildlife habitats that underpin continuing tourism visits and quality of place.

By contrast, in the pressurised areas easily accessible from Scotland's cities and main towns, where ongoing development pressures are likely to continue, it is important to protect against an unsustainable growth in car-based commuting and the suburbanisation of the countryside, particularly where there are environmental assets such as sensitive landscapes or good quality agricultural land. Plans should make provision for most new urban development to take place within, or in planned extensions to, existing settlements.

### Housing in the Countryside – examples of Local Development Plan policies

Most planning decisions are taken locally and there is a long established process for reviewing local development plans which provide the policy framework for planning decisions. Each authority will have an approach appropriate to their area aligned to the provisions set out in SPP and NPF3. Current examples of supportive policies include:

- **Scottish Borders LDP 2015 - Policy ED7: Business, Tourism and Leisure in the Countryside:**  
“ Proposals for ... rural diversification initiatives will be encouraged provided that:
  - a) the development is to be used directly for agricultural, horticultural or forestry operations...
  - c) the development is to be used for other business or employment generating uses, provided that the Council is satisfied that there is an economic and/or operational need for the particular countryside location...”
- **Argyll and Bute LDP 2015 - Policy LDP 5 –** “Argyll and Bute Council will support the development of new industry and business which helps deliver sustainable economic growth throughout our area by:- taking full account of the economic benefits of any proposed development; ensuring that the different spatial needs and locational requirements of the various sectors and scales of business are able to be met within the context of the settlement and spatial strategy;”

### Programme for Government

- Includes a commitment to consulting on permitting the conversion of existing farm buildings to form new homes.

### **Extending permitted development rights**

- Responses to our consultation on Places People and Planning confirmed support for expanding permitted development rights, removing the need to make a planning application across a wide range of developments, and this work will be progressed in stages. As a first step we have commissioned a sustainability appraisal to inform the prioritisation and development of draft legislative proposals.
- The sustainability appraisal will include consideration of options for expanded permitted development rights for agriculture and telecomms.
- We anticipate progressing the detailed work on changes to permitted development, alongside a wider suite of secondary legislation, following the passage of the Planning Bill by the Scottish Parliament. This would include further detailed consideration and stakeholder engagement prior to amending legislation.

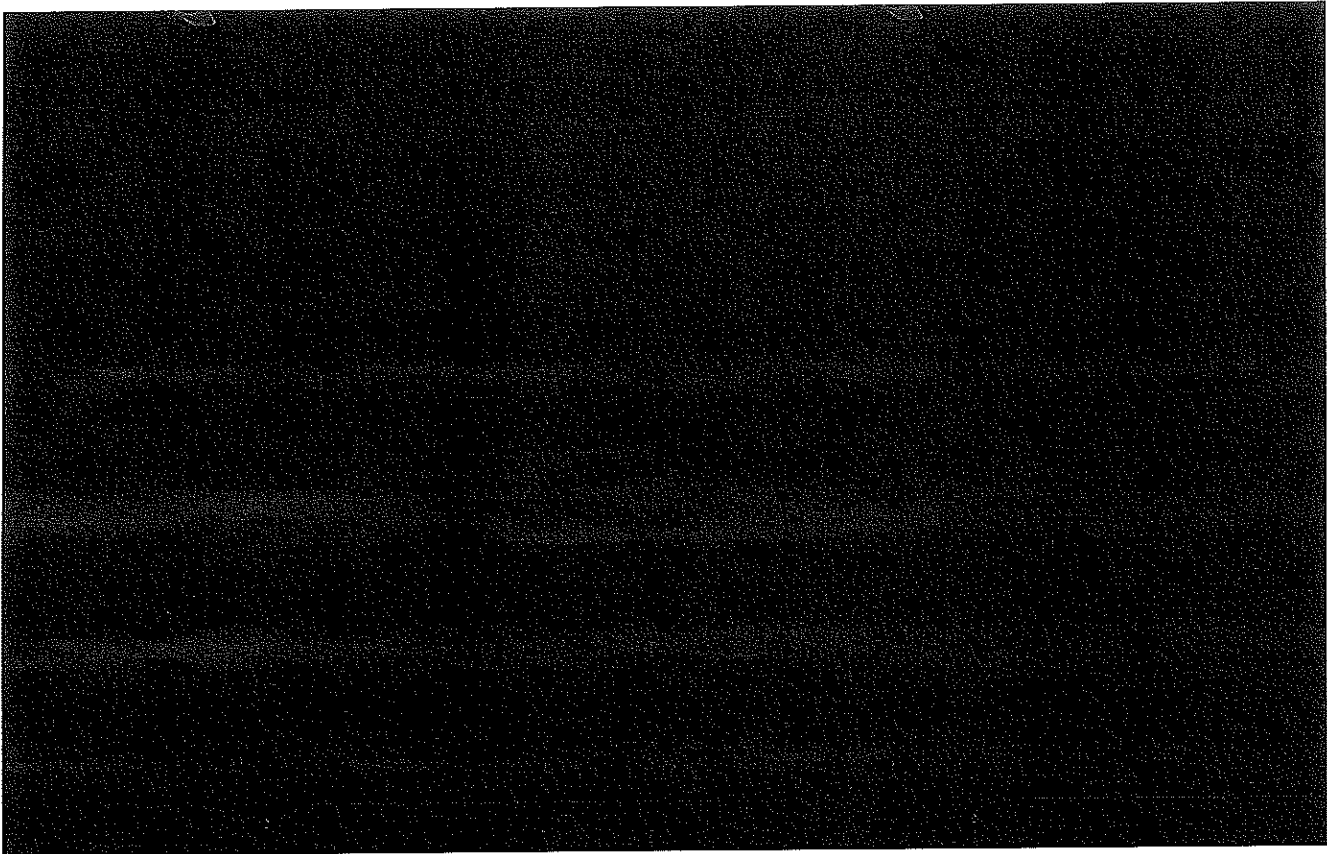
### **Planning and Agriculture summit 2018**

- Following the successful agriculture and planning summit last year, officials are arranging a second summit to take place in the autumn.

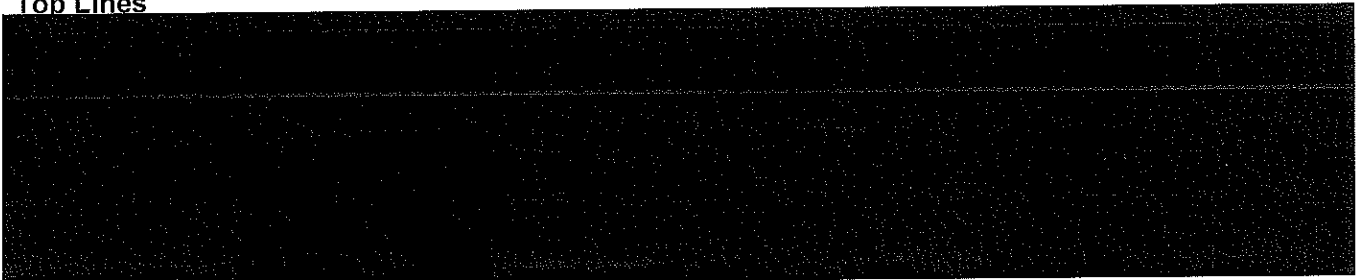
### **Occupancy restrictions**

- Scottish Government planning policy and guidance makes clear that occupancy restrictions are rarely appropriate and should generally be avoided.
- Planning Circular 3/2012: sets out the Scottish Government's view that such restrictions 'can be intrusive, resource-intensive, difficult to monitor and enforce and can introduce unnecessary burdens or constraints'.

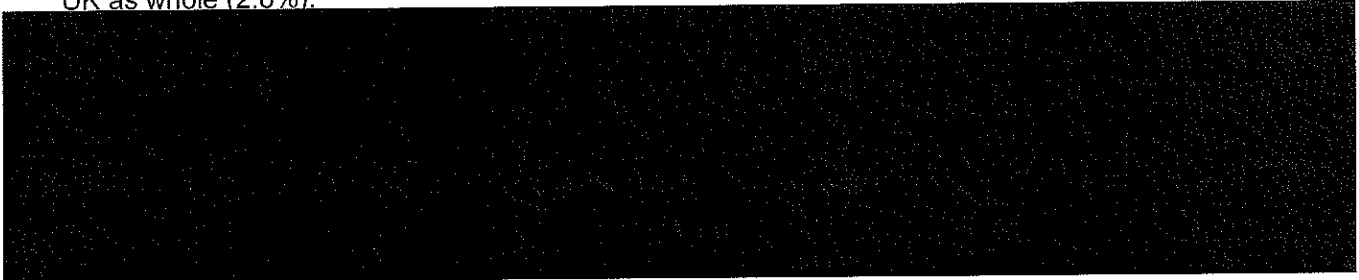
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**Top Lines**



- The proportion of people on zero hours contracts in Scotland (2.7% of all employees) is lower than the UK as whole (2.8%).



**We have an excellent record on youth employment**

- Scotland's youth employment rate is higher than the UK's (57.3% vs. 53.9%).
- Its youth unemployment rate is lower than the UK's (9.8% vs 11.3%)
- Its youth inactivity rate is lower than the UK's (36.5% vs. 39.3%).

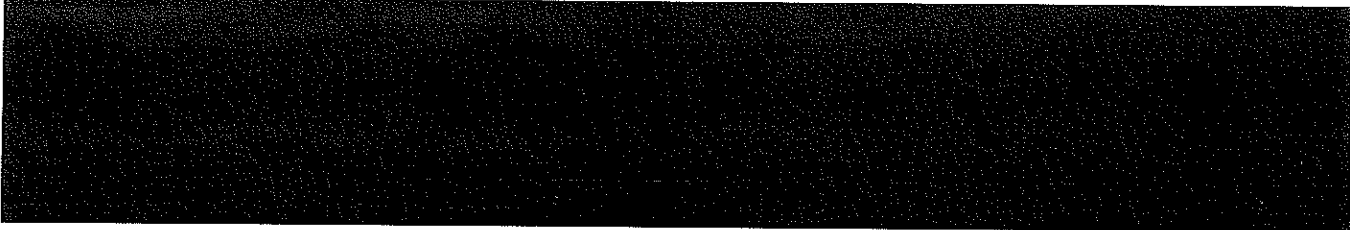
**Scotland is ahead of the curve promoting fairer working practices and protecting workers rights.**

- In 2015, we established the Fair Work Convention which set a vision that we fully endorse, for fair work to be embedded in all workplaces by 2025.

- The Convention's framework recognises Fair Work as work that offers: Effective Voice, Opportunity, Security, Fulfilment and Respect.
- Fair Work is central to our Labour Market Strategy and the Enterprise & Skills Review and its implementation.
- By making the Scottish Business Pledge, businesses demonstrates their commitment to Fair Work, employee engagement and boosting productivity.
- 469 employers have become Pledge signatories including Coca Cola, Microsoft and Virgin Money.
- We want to build on progress through developing a Fair Work Action Plan for Scotland by the end of the 2018.
- The plan will detail the strategic adoption of the fair work dimensions across the Scottish Government.

**The Scottish Government was the first government in the UK to become an Accredited Living Wage Employer.**

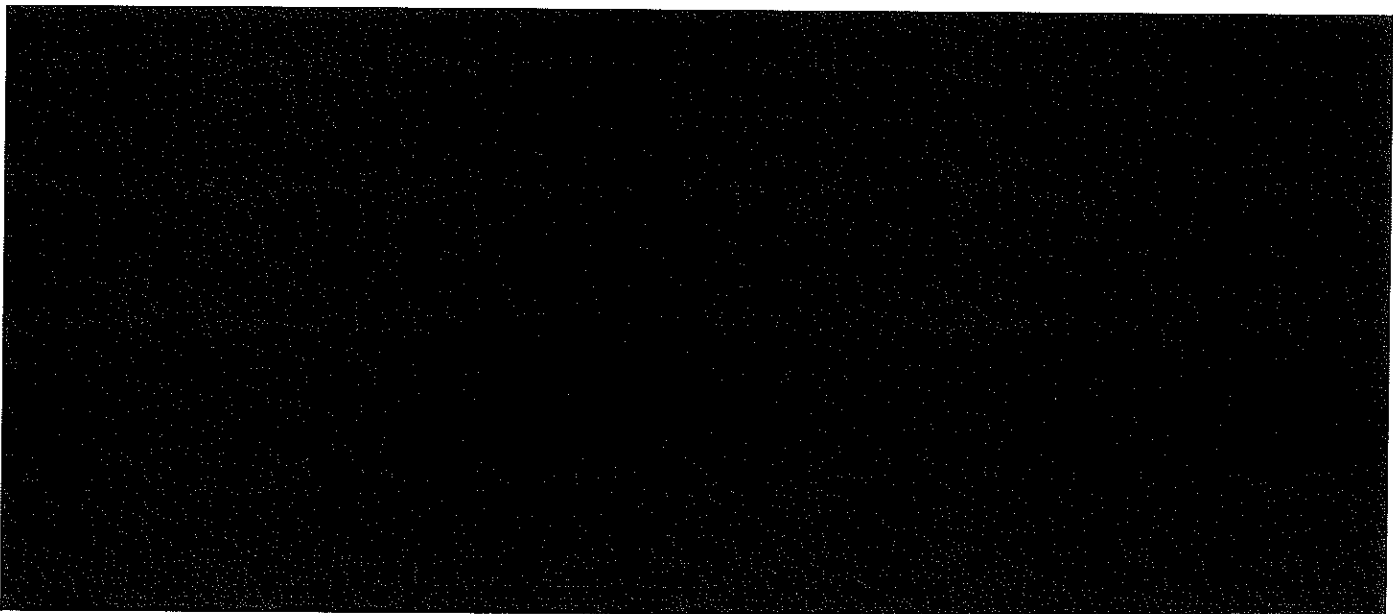
- The new Living Wage Rate of £8.75 per hour applies to newly accredited employers and all current Accredited Employers from 30 April 2018.
- Research shows the Living Wage can enhance productivity, reduce absenteeism and improve staff morale.
- Scotland remains the best performing of all four UK countries with the highest proportion of employees paid the Living Wage or more (81.6%).
- Ahead of England 78%, Wales 75.3% and NI 72.3% and the UK 78%.
- There are now over 1100 living wage accredited employers in Scotland.

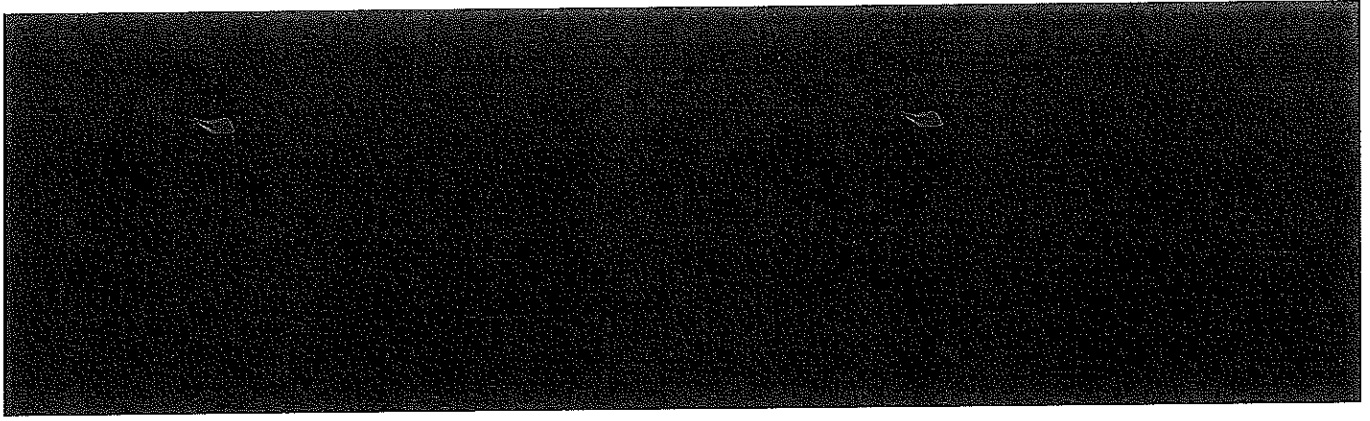


**We are committed to supporting strong Trade Unions in Scotland**



- In 2017/18 we are providing £2.2 million to the STUC to support trade unions learning and skills.
- We are also investing £250,000 to help embed fairer work practices in Scottish workplaces.
- We announced continued funding of £350,000 for the Trade Union Fair work Modernisation Fund and the STUC Leadership and Equality Fund on 22 March.





## ANNEX 32 – WORKPLACE EQUALITY FUND

A commitment to establish this Fund was made in the Labour Market Strategy published on 15 August 2016. The Programme for Government for 2016-17 recognised that the labour market did not provide good outcomes for many equality groups and that a Workplace Equalities Fund would draw on the recommendations made in the Race Equality Framework for Scotland 2016-2030 (REF) and the findings of the Equal Opportunities Committee inquiry into Removing Barriers: Race, Ethnicity and Employment, published in January 2016.

At the Scottish Trade Union Annual Congress on 24 April 2017 The First Minister announced funding of £500,000 for the creation of the Workplace Equality Fund. In the speech the First Minister stated that the Fund will aim to address long standing barriers in the labour market so that everyone – irrespective of gender, race or disability - has the opportunity to fulfil their potential and improve Scotland's economic performance as a result.

The Workplace Equality Fund, launched on 8<sup>th</sup> February, is being delivered by Voluntary Action Fund on behalf of Scottish Government. The original budget was for £500,000.

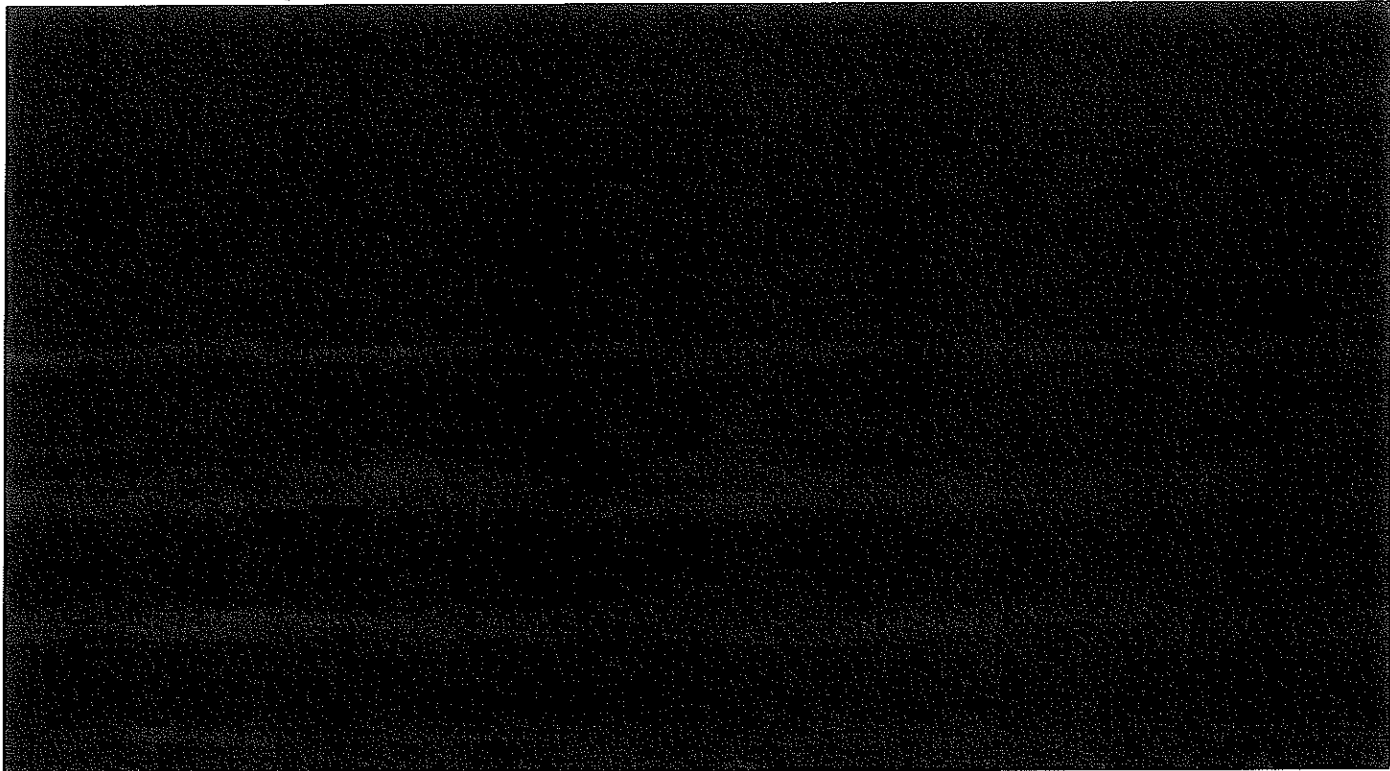
**Top Lines: We recognise the importance of increasing employment rates and tackling workplace inequalities for specific groups who are disadvantaged in the labour market - minority ethnic, women, disabled people and older workers.**

- Inclusive growth is an important objective for Scotland however despite being an economically successful nation deep inequalities exist in our society indicating that the pattern of growth has not benefitted our society equally.
- We are committed to doing all we can to address the barriers that prevent people from all communities from realising their true potential and accessing employment.
- Scotland can achieve higher living standards and greater equality by businesses, government and people working together to ensure we grow in a fair and shared way.

### **The purpose of the Workplace Equality Fund**

- The Workplace Equality Fund will deliver employer led innovative solutions to overcome workforce & workplace inequality.
- We are now providing additional funding of £250,000. This brings the Funds total value to £750,000.
- The Fund will have a key focus on supporting older workers, women, disabled people, and those from a minority ethnic background.
- It will support the delivery of our Programme for Government, Fair Work Framework, Race Equality Framework, Disability Delivery Action Plan; Scotland's Labour Market Strategy and Fairer Scotland Action Plan.
- In the first round of the Fund VAF received 60 applications and will announce the successful bidders in the coming weeks. A second round of applications will open on 2nd July 2018.
- We expect proposals to focus on overcoming long standing and systemic issues with recruitment practices and progression in the workplace. For example counteracting unconscious bias, promoting a positive culture towards pregnancy and maternity and/or introducing flexible and agile practices.
- We are aiming to support employers across sectors where we know that there are for example issues around occupational segregation and pay gaps – these sectors include the arts, culture, leisure, tourism, finance, manufacturing, construction, rural economy, agriculture, transport and communication and STEM.

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### Top Lines

- Equality for women is at the heart of the Scottish Government's vision for a fairer Scotland.
- We are committed to ensuring that women are represented in all senior and decision making roles, including in the boardroom and in politics.
- I am proud that this Government leads by example by having one of the very few gender-balanced cabinets anywhere in the world – with all ministers, male or female appointed by merit.
- The overwhelming majority of equality law is reserved to the UK Government.
- The Scottish Government has called for full devolution of equality law.
- The Scottish Government does not currently have legislative competence to introduce gender quotas for the Scottish Parliament or local government in Scotland.
- All political parties need to take steps to address this issue.
  - Using new powers transferred by the Scotland Act 2016, we introduced the Gender Representation on Public Boards (Scotland) Act 2018 which received Royal Assent on 9 March 2018.
  - The Act sets an ambitious objective for all public boards to have 50% of non-executive members who are women.
- The Scottish Government does not have power to introduce similar legislation for private boards, but we are encouraging companies to take this issue seriously.
- We continue to champion our Partnership for Change 50/50 by 2020 campaign. 217 organisations have signed up to date.

### UK Gender Pay Gap Reporting

- Scotland's full-time gender pay gap at 6.6% remains below the UK (9.1%) and is only marginally higher than the year before.
- We welcome more transparency in reporting pay gaps as one way to drive change.
- However, some of the figures reported by large companies over the last few weeks show there remains a very real challenge to reduce the gender pay gap.
- Employers need to take real action to improve workplace practices that increase the number of women that progress to senior, decision-making levels.
- We are establishing a Gender Pay Gap Working Group that includes stakeholders such as Close the Gap, Engender and STUC.

- The working group will identify action to reduce gender pay gaps across Scotland as part of the Scottish Government's inclusive growth vision.

**We have come a long way and the full-time pay gap is down from 11.9% in 2007 and 16.7% in 1999.**

- There are many drivers of the gender pay gap and no one solution to closing it.
- We are providing £205,000 to Close the Gap for July 2017-June 18 to challenge and change employment practices and workplace cultures.
- Close the Gap have developed a free online toolkit to assist employers to report their gender pay gap to comply with the regulations.
- We are providing £750,000 to the Workplace Equality Fund which supports employers to deliver innovative solutions to overcome workforce inequalities, including helping them to identify and close their pay gaps.
- In 2016, the Scottish Government lowered the threshold for listed public authorities in Scotland to publish their gender pay gap every two years, from those with more than 150 employees to those with more than 20 employees.

**The EHRC will take enforcement action against employers who have not complied with the UK Gender pay gap reporting regulations**

- The Equality and Human Rights Commission published on 23<sup>rd</sup> March 2018 its final policy on how the new regulations will be enforced.
- The EHRC are aiming to initiate enforcement action against 100% of employers who do not report their information within the first year.

**The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 do not apply to the Scottish Government.**

- The gender pay gap requirements placed on the Scottish Government are set out in the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012.
- The 2012 regulations require us to publish our gender pay gap every 2 years.
- We have reported these in the Equality Mainstreaming Report published in 2013, 2015 and 2017.
- The Scottish Government gender pay gap as at 31 March 2018 on a mean average basis was 4.63%.
- Use of the mean figure is the Scottish Government's preferred method of calculation. It is the most meaningful as it includes the salaries of the lowest and highest paid.
- The median gender pay gap in Scottish Government is 2.68% as at 31 March 2018. The overall UK Civil Service median gender pay gap is significantly higher at 12.7%.
- The Scottish Government's mean gender pay gap of 4.63% is significantly below the mean gender pay gap for a number of UK Civil Service Departments published under the 2017 regulations:
  - (Welsh Government 7.99%; Home Office 10.1%; Department for Transport 16.9%; Department for Health 14.2%; HM Treasury 7.1%).

**Action is being taken to reduce gender pay gaps within the Scottish Government.**

- The Scottish Government is working closely with colleagues in the Equality and Human Rights Commission to identify steps that would help further reduce any pay gaps.
- 45% of the successful candidates in the Scottish Government's 2016 Deputy Director Promotion Board were female.

**We are taking action to ensure women's equality in the workplace.**

- The Minister for Employability and Training chairs a working group tasked with creating best practice guidelines for employers as well as improving access to guidance and advice for pregnant women and new mothers.
- We have delivered on our commitment for a Returner's programme to assist women to re-enter the workforce following a career break.
- We are providing £159,000 - 2018-19 to Family Friendly Working Scotland Partnership to support and promote development of family friendly workplaces.
- Through Family Friendly Working Scotland we are promoting the 'Happy to Talk Flexible Working' strapline for job adverts, to signal a job can be done flexibly.
- The Scottish Government as an employer has adopted this strapline.

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## ANNEX 34 - DEVELOPING THE YOUNG WORKFORCE (DYW)

### **Background:**

DYW is Scotland's youth employment strategy, through which the aim is to reduce youth unemployment levels by 40% by 2021 from 2014 levels. This aim has already been met – four years ahead of schedule. The overall strategy aims to create a work relevant education offer to young people in Scotland, giving them the skills for the current and anticipated jobs market. Together with Getting It Right for Every Child and Curriculum for Excellence, DYW is the key policy approach through which the SG is creating excellence and equity in Scottish education.

### **Top Lines**

- DYW is Scotland's youth employment strategy, through which we have already achieved our aim of reducing 2014 youth unemployment levels by 40% by 2021.
- The strategy aims to create an excellent, work relevant education offer to young people in Scotland, giving them the skills for the current and anticipated jobs market.
- Through investment in employer engagement across the education system, we have improved the curriculum offer and the access to this for all young people.
- We are creating new vocational learning options; enabling young people to learn in a range of settings in their senior phase of school; embedding employer engagement in education; offering careers advice at an earlier point in school; and introducing new standards for careers guidance and work experience.
- Together with Getting It Right for Every Child and Curriculum for Excellence, DYW is the key policy approach through which the SG is creating excellence and equity in Scottish education.

### **Achievements to date**

- Achieved the overarching target to reduce youth unemployment by 40% by 2021. From official statistics calculated in May 2017, youth unemployment in Scotland, excluding those in full-time education has reduced from 52,000 in 2014 down to 27,000 in 2017
- The current rate of youth employment rate was 0.9 percentage points higher at 57.3 per cent than one year ago.
- The youth unemployment rate has fallen from 12.5 percent in 2007 to 9.8 percent.
- Scotland's youth unemployment rate (9.8 per cent) is the sixth lowest in the EU.
- We have grown vocational provision for young people in the senior phase, including a significant expansion of Modern Apprenticeships 26,262 MA starts in 2016-17 being provided. And as of academic year 2016/17, there has been a significant expansion in Foundation Apprenticeships.
- We have established 21 regional DYW employer groups across the country, whose focus is on school industry partnerships, work inspiration, work placement, recruitment and equalities.

### **Next steps**

This year we will continue to implement DYW recommendations including:

- continuing to extend the reach of careers advice to younger school pupils
- embedding a new work experience standard
- expanding the number of Foundation Apprenticeships - evidence suggests we are well placed to meet our target of 5000 FAs by 2019-20.
- continuing to develop Graduate Apprenticeships within apprenticeship expansion.
- fund and support the development of employer led DYW Regional Groups across the country to encourage and support more employers to engage with education and to recruit more young people.
- build on the developing young workforce approach to take forward a review of the 15-24 learner journey. The review aims to further improve the post 15 system to ensure that learners are supported

to make well informed choices, have equal opportunities to access the right options for them, and can move through the system and towards employment easily, with no duplication of learning.

- there will be continued focus on implementing the Equalities Action Plan for Modern Apprenticeships which will help us increase participation of young people from under-represented groups such as care leavers, those with disabilities, and those from BME communities.
- we also intend to address gender imbalances as a priority at all stages of the learner journey. This will include tackling gender disparity in imbalanced school and college courses, vocational pathways and MA frameworks. Through this we hope to reduce gender stereotyping and gender segregation in career choices and occupational routes chosen by young people.

## **DYW – EMPLOYER GROUPS**

### **Background**

- The network of 21 Private Sector led Developing the Young Workforce Regional Groups have been established covering the whole of Scotland.
- The creation and development of the Groups will ensure that all of Scotland's young people are fully and fairly supported into employment by bridging the gap between education and employers.
- All regional groups have national and local Key Performance Indicators to ensure we can measure success and we are working with regional groups to ensure all action can demonstrate impact.
- The Deputy First Minister committed to funding all DYW regional groups in full until 2021 through a funding package of £4.1 million – this offers reassurance to the network of employers of the Scottish Government's commitment to the long-term sustainability of DYW.

### **DYW Regional Groups Established**

- DYW Regional Groups have been established in all 21 regions: Glasgow; North East; Fife; Ayrshire; North Highland; the West Region; Edinburgh, Midlothian and East Lothian; Dumfries and Galloway; Dundee and Angus; West Lothian; Inverness and Central Highland; West Highland; Forth Valley; Moray; Perth & Kinross; Lanarkshire and East Dunbartonshire; Argyll and Bute; the Borders; Shetland; Orkney; and Outer Hebrides.

### **Dumfries and Galloway Regional Group**

The Dumfries and Galloway regional group was formed in February 2016 and is chaired by Iain Steele of SP Energy Networks. The group focus their work on key local requirements including rural skills and retail and have developed successful links with local employers. The group recently ran a Big Bang event bringing schools together with STEM leaders to improve their understanding of STEM career pathways.

### **Supporting Rural areas**

- DYW Regional Groups cover the length and breadth of the country and indeed those in rural area. Our rural DYW Groups work closely with a range of partners to ensure the young people of the region have the best opportunities available to them.
- All of our DYW Regional Groups are supported by a diverse group of employers covering the range of sectors which make up the region. By having a Regional approach it allows any regional complexities and challenges to be better supported through an expert team and group of employers who know the region.
- In recognition of the additional barriers facing institutions in rural areas, the Scottish Funding Council provides a £9 million rural premium for rural campuses. In addition SFC makes funding available for travel costs through the student support budget. This provides free travel for many students in rural areas as well as those in our cities.
- A rural supplement was introduced in 2017 to support to training providers delivering Modern Apprenticeships in specific areas of rural Scotland. It is designed to support the training infrastructure

by mitigating against the increased costs of delivering services in a rural area such as travel and the recruitment and training of assessors and verifiers.

- The rural supplement was introduced in April 2017 and the model has been further refined to ensure it is effectively meeting the needs of those most affected by rurality. The revised model will become available in April 2018 and will be available to training providers working with employers in areas classed as either 'Remote Rural' or 'Remote Small Towns' according to the Scottish Government urban/rural classification.

Contact



## ANNEX 35 - WOMEN IN AGRICULTURE TASKFORCE

### Key Messages

- Ensuring women have the same rights and opportunities as men in farming and agriculture is vital to ensuring the long term sustainability of the farming and agriculture sector. The Scottish Government is committed to rural Scotland, to building a fairer society where all women working in agriculture are respected and heard.
- The First Minister announced the formation of the Women in Agriculture Taskforce in response to the findings and recommendations of The **Women in Farming and Agriculture Sector Research Report** published on 24 June, 2017 at the Royal Highland Show.
- The research was commissioned by the Scottish Government to establish a baseline on women in farming and the agriculture sector.
- The Taskforce is co-chaired by Fergus Ewing, the Cabinet Secretary for Rural Economy and Connectivity and Mrs Joyce Campbell, award winning sheep farmer from Armadale Farm, Sutherland who along with other key agricultural stakeholders are committed to developing and driving forward real change.

### Celebrating Women in Agriculture Parliament Event

- On 10 January 2018, Emma Harper MSP and Gail Ross MSP co-sponsored A Celebration of Women in Agriculture event in Parliament which was attended by the taskforce and 100 key equality, agriculture and rural stakeholders including many women farmers.

### Update

- The taskforce meets monthly has set up 3 subgroups to look at the production of a charter to encourage the drive towards sector equality, identify gaps in sector learning and development opportunities and the development of a Women in Agriculture Leadership Programme.
- The taskforce will publish a progress report at this year's Highland Show setting out their interpretation of the research recommendations; their approach to implementation and progress made towards their aims and objectives.

### Background

- There are a total of 27 recommendations including: the need for better representation by women in farming organisations at all levels including boards; education programmes better targeted at women; better opportunities for new entrants; a mentoring scheme; more work on Health and Safety issues particularly for families; and a look again at how farming families address succession issues in a fair way for all members of the family.
- The research investigated women's role in these sectors under the following headings: daily life; aspirations; career paths; leadership; comparative analysis with other family businesses; safety; and succession/inheritance. The research has provided us for the first time with a baseline position on Scottish women in farming and the agriculture sector.

## ANNEX 36 - RURAL SKILLS INCLUDING Q&A

### TOP LINES

- The Scottish Government is committed to promoting inclusive growth and creating opportunities for all to ensure a vibrant, sustainable and productive rural economy.
- The Scottish Government supports individuals to build their career management, work-based and employability skills throughout their career journey, from school, into further learning opportunities and employment.
- The 2017-18 Programme for Government made a commitment to produce a rural skills action plan in 2018 to enhance employment opportunities.

### Lantra Scotland (Sector Skills Council for Scotland's land based industries)

- Since 2004, the SG has agreed funding packages to Lantra Scotland to support delivery of an annual programme of services to fund staff and carry out specific projects towards overcoming the particular difficulties associated with the small size of businesses and their wide distribution in Scotland. Available funding has remained constant at £463,000 per annum for several years and within the 18/19 financial year Lantra has seen an increase in funding of 11%.

### BACKGROUND

#### Lantra

- Lantra Scotland promotes the benefits of learning and skills, promoting the sector as a rewarding career choice, celebrating the achievements of learners and helping to ensure that learning and training provision addresses industry requirements and skills gaps.

#### Agricultural Champions

- The Agricultural Champions were appointed in January 2017 to advise on the development of a future agriculture strategy that will encourage a sustainable, productive, innovative and profitable agriculture industry in the future.
- They published an interim report in November 2017, which contained 6 strategic themes, all of which are underpinned by the concept of public value:
  - Continuity over the next five years, including securing the payments to which Scotland is entitled
  - Assisting the Scottish agriculture industry through a period of major transformational change
  - Enhancing Scotland's Natural Capital
  - Helping to improve the productive efficiency of Scottish agriculture
  - Illustrating the huge opportunities for careers in the rural sector
  - Improved integration of the whole supply chain for the benefit of all
- In his focus on education and training, Henry Graham has highlighted the need for the rural sector to be shown as truly a "career for all", including the better support and coordination of best practice between schools, illustrating clear, connected, career pathways, and promoting the development of the pre-apprenticeship and shared apprenticeship models.

#### NCRA

- The Cabinet Secretary for Rural Economy and Connectivity announced the establishment of the NCRA in June 2017. It's role is to provide evidence-based advice to Scottish Ministers on: the implications of Scotland leaving the EU as part of the UK (Brexit) (published in November 2017); and on future rural policy and support to ensure a thriving, vibrant rural economy (discussion/consultation document - June 2018, final report - September 2018).
- They have undertaken a series of 11 regional stakeholder events which have highlighted a number of key areas for the Council to focus on including the need to develop and promote **meaningful work opportunities**, particularly for young people, in our rural communities. Skills are essential to this.

#### Skills Development Scotland (SDS)

- SDS is Scotland's national skills body. SDS contribute to Scotland's sustainable economic growth by supporting people and businesses to develop and apply their skills.
- Examples of services SDS provide include; Employer Engagement; Regional Skills Assessments and sector Skills Investment Plans; all age Career Information, Advice and Guidance; and administer a range of skills interventions on behalf of the Scottish Government. These include Modern Apprenticeships; Graduate Apprenticeships and Foundation Apprenticeships; the Employability Fund; and, Individual Training Accounts.

## Q&A

### **1. What role does the Agricultural Champions and the National Council of Rural Advisers (NCRA) play in the development of the Rural Skills Action Plan?**

- The Agricultural Champions were asked to provide recommendations on the development of a future agriculture strategy. Henry Graham, regional chair of LANTRA, was asked to focus on education and training, and his recommendations will be included in the champions' soon to be published final report.
- The NCRA was tasked with providing evidence-based advice on future rural policy and support to ensure a thriving, vibrant rural economy. (All four Agricultural Champions are members of the NCRA.) Ensuring that we have the right skills to enhance employment opportunities and enable citizens to have meaningful work opportunities is an essential part of their considerations.
- The work of both these groups will help inform the content of the Rural Skills Action Plan.

### **2. What is the focus of the Rural Skills Action Plan?**

- The Rural Skills Action Plan will cover the full breadth of those sectors that form to our rural economy.

### **3. Access to apprenticeship training in rural areas is difficult and in some areas there is limited access or no provision at all. What steps is the Scottish Government taking to address this?**

- We introduced the rural supplement in 2017 as an important measure to both mitigate the increased costs of delivering services in rural areas and to support delivery of Modern Apprenticeships in the most rural parts of Scotland.
- In April 2018, the rural supplement will be available in even more areas, reflecting the nature of Scotland's unique geography. Eligibility is now based on employers postcode defined as either 'Remote Rural' or 'Remote Small Towns'.
- This will help ensure that Modern Apprenticeships are accessible to as many employers, businesses and young people in rural places as possible.

### **4. What is the Scottish Government doing to provide Modern apprenticeships funding to support the rural economy?**

- The Scottish Government has funded almost 1400 Modern Apprenticeship new starts in land-based frameworks over the past three years with total numbers increasing year on year. We have a strong foundation upon which to build.
- It is important to note the Modern Apprenticeship Programme is employer-led. On behalf of Scottish Government, Skills Development Scotland funds a contribution towards an apprentice's work based learning on the basis the employer offers a good quality, sustainable job.
- 
- Therefore, the numbers of new starts funded by Skills Development Scotland per annum are influenced by expressed employer demand. To this end, I encourage all employers to consider the benefits that recruiting an apprentice could bring to their business.

- With a range of challenges facing the rural economy now and in the years to come, it will require buy-in from all parts of the system to assess and identify measures most effective to bring lasting benefits to the rural workforce.

**5. The Federation of Small Businesses recently published a report recommending the Scottish Government do more to support small businesses to take on Modern Apprentices. What is the Scottish Government response to this?**

- The Scottish Government recognises the importance of a supportive business environment, conducive to sustained economic growth, and the contribution SME's make in this context.
- Apprenticeships provide a fantastic opportunity for all employers, regardless of size and sector, to develop their workforce and contribute to business and economic growth and we are on track to deliver 30,000 apprenticeship opportunities by 2020.
- What is particularly encouraging is that the FSB report highlights increasing numbers of apprentices being recruited by small businesses in Scotland.
- We are open to discuss their full findings and what more can be done but we would always encourage small businesses looking for skills support, to access the Skills Development Scotland's Skills for Growth service. Further information can be found at <https://www.ourskillsforce.co.uk> or by calling 0800 917 8000."

**6. Since the UK Government Apprenticeship Levy was introduced it has become more difficult for small businesses to access Modern Apprenticeships in Scotland. What is the Scottish Government doing to address this?**

- In Scotland, all employers will still be able to access funding for approved apprenticeships.
- We recognise that apprenticeships are an essential way for all employers regardless of size and sector to develop their workforce and contribute to business and economic growth.
- Larger employers are encouraged to raise awareness of the benefits of apprenticeships across their supply chain.

**7. Are land-based apprenticeship frameworks such as forestry and agriculture recognised as STEM?**

- The majority of land-based frameworks are recognised as STEM. These include Agriculture, Aquaculture, Equine, Horticulture, Land-Based Engineering and Trees and Timber.
- In the past three years the Scottish Government has funded almost 1400 Modern Apprenticeships in land-based frameworks. It is important to note the Modern Apprenticeship programme is employer-led and uptake reflects employer demand and, in turn, jobs in the economy in particular sectors.
- Apprenticeships are a great way for employers to boost the skills and productivity of their workforce and I encourage employers across the land-based sectors to consider how they can create opportunities for apprenticeships.

**8. Why has the percentage number of 18-24 year Modern Apprenticeship starts fallen for 2016/2017?**

- It's important to highlight Scotland's youth unemployment rate is the lowest in the UK and we are among the top performing across all EU countries.
- Whilst there has been an approx. decrease by 4% of Modern Apprenticeship starts in young people aged 16-24 in 2016-17, this has been offset by the 21% increase in those aged 25+.
- The decrease in Modern Apprenticeship starts from younger age groups may be partly explained by the decrease in the 16-19 year old population over recent years. Mid-year population estimates

(National Records of Scotland) show a decrease in 16-19 year olds of 1.7% between 2015 and 2016 and 5.5% between 2012 and 2016.

- We have also increased the number of Modern Apprenticeships Frameworks that can be supported for apprentices aged over 25.

#### **9. The Scottish Government isn't doing enough to support young people from priority groups to participate in a Modern Apprenticeships.**

- Skills Development Scotland published its first annual update on its Modern Apprenticeship Equality Action Plan in July 2017, and reflects progress across a range of indicators. More importantly includes details of further efforts to;
  - Reduce gender stereotyping
  - Increase the number of Modern Apprenticeship starts from minority ethnic communities
  - Optimise the chances of a successful transition for care experienced people into apprenticeships
  - Increase the number of individuals starting apprenticeships who have a learning or physical disability
- But we know there is more to do to address barriers to work and training for some young people to tackle inequality and ensure all of our young people have equal chances and choices to succeed in life.

#### **10. What is being done to encourage the over 25's to undertake an Apprenticeship?**

- In 2016/2017, 24% of new Modern Apprenticeship starts were in the 25+ age group.
- In addition to continuing our commitment to implement Scotland's Youth Employment Strategy: 'Developing the Young Workforce', in 2017/2018 we are also delivering a range of measures to enable access to apprenticeships for the over 25's including:
  - An increase in the number of Modern Apprenticeships Frameworks that can be supported for apprentices aged over 25
  - Enhanced contribution rates for disabled people and those with experience of care up to the age of 29.
  - An increase in the numbers of Graduate Level Opportunities being delivered which of course are not age restricted.

#### **11. You have announced new MAs, but how are you ensuring the quality?**

- There are well established Quality Assurance arrangements across the system. With steady improvement in overall Modern Apprenticeship achievement rate over a number of years, Skills Development Scotland will continue to prioritise quality through contracting and monitoring processes as well as provide quality improvement professional learning for staff and training providers.
- In addition quality is a key driver in the approval of frameworks and qualifications; and, more recently, in the external review of Apprenticeships led by Education Scotland.
- There is a focus on continuous improvement of provision to meet learner and employer needs, and I would urge training providers to embrace a continuous improvement philosophy in their everyday business practice.
- The Scottish Apprenticeship Advisory Board (SAAB), an industry led group, is now established to strengthen employer input into the strategic direction of apprenticeships and work based learning pathways, ensuring that the supporting apprenticeship "system" meets the needs of industry.
- The Framework and Standards sub-group is currently working on developing a set of principles for what apprenticeships in Scotland should look like and are consulting with a range of stakeholders on this.



- SAAB have also recently launched the Apprenticeship Engagement Group (AEG). The purpose of the AEG is to promote the value of apprenticeships and to champion the benefits to individuals, employers and the economy in Scotland through their recently developed Strategy.

**12. Training providers face challenges to balance asks due to economic and political uncertainty, and increasing financial pressure due to reductions in contribution rates in certain MA frameworks.**

- Investment in Modern Apprenticeships remain a priority for the Scottish Government.
- Contribution rates reflect strategic priorities for the Modern Apprenticeship programme based on key and priority sectors of the Scottish economy.
- Contribution rates are reviewed as necessary. For example contracting arrangements for 18/19 include increased contributions to the costs of delivering early years and childcare; dental nursing; and, management frameworks.
- Employers are expected to contribute to costs of training.
- Employers are becoming more selective in choosing training providers so it's important that training providers do not lose focus on quality of delivery.
- Skills Development Scotland staff regularly gather feedback from apprentices and employers and if concerns about quality are raised these will be treated very seriously and addressed with Training Providers.

**13. Too much reporting for providers. Will this be streamlined (e.g. equality and quality)?**

- Yes. Equality is being integrated into the Quality Assurance model.

**14. Contribution rates - especially for 25+**

- The basis of the funding approach is that the Scottish Government will continue to provide a contribution towards the costs of training and assessment. However we need to be certain that there is a balance between cost and benefit to employers in taking on a Modern Apprentice; that the Scottish approach to funding incorporates good practice from elsewhere; and, that we provide a sensible value-for-money approach that considers national policy as well as outcomes for individual learners, employers and the economy.
- It is incumbent on Skills Development Scotland as a public body to ensure that all expenditure represents good value for money. To help Skills Development Scotland consistently achieve this, they have undertaken a systematic review of current levels of public funding for Modern Apprenticeships. It is important to note that public funding intervention should only represent the minimum contribution necessary to encourage the provision of training and it is this principle that has driven change.
- For 25 +, government support for individuals in this age group is targeted towards specific sectors and thus only certain Modern Apprenticeship frameworks will be eligible for funding. In keeping with the policy aims of funding for Modern Apprenticeships, Government contributions will only be approved for Apprentices taking up an Modern Apprenticeship of an appropriate type and level that has been devised for, and in consultation with, the sector in question. [For example, whilst a Customer Service Modern Apprenticeship framework would be eligible for funding for 16-24 year olds, it would not qualify for support for those Apprentices working in a retail or hospitality environment.]
- In 2017/18 we have introduced enhanced contribution rates for disabled people and those with experience of care up to the age of 29.

**15. How can Employers become more involved in apprenticeships?**

- All employers in Scotland can access Apprenticeships regardless of size or sector to develop their workforce and contribute to business and economic growth. Further information for employers interested in recruiting an apprentice is available at [www.apprenticeships.scot](http://www.apprenticeships.scot)
- Through the SAAB Employer Engagement Group - This group listens to and communicates with employers. It gathers insight on how to support and encourage employer participation in apprenticeships.
- Also through Industry Leadership Groups - Industry Leadership Groups comprise leading business figures drawn from across the private sector as well as senior representatives from the public sector including Scottish Enterprise, Scottish Government and key stakeholders
- In addition the DYW Regional Groups aim to increase the number of employers offering apprenticeship opportunities.

**16. How much has Scottish Government spent on Modern Apprenticeships?**

- Scottish Government spent the following on modern apprenticeships in the last five years:

Programme	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000	2016-17 £'000	2017-18 Projected Figures £'000
Modern Apprenticeships	74,988	74,536	73,714	75,394	76,635	<b>£81,130</b>

## Highlands and Islands Agricultural Support Group (HIASG) report “Post-Brexit Implications for Agriculture and Associated Land Use in the Highlands and Islands”

### Lines to take

- We welcome the publication of this report, and the contribution it makes to the current debate around future agriculture policy.
- The Scottish Government has not been idle in terms of developing future agriculture policy, we have set up systematic processes involving the Agriculture Champions, the National Council of Rural Advisers, and the CAP Greening Review Group.
- Fergus Ewing has also set out his vision for future policy in his well-received speech at the National Farmers Union for Scotland AGM in February.

### Background

The HIASG consists of representatives from: Highland Council, Shetland Council, Orkney Islands Council, Comharle Nan Eilean Siar, Argyll and Bute Council. The main rural and farming stakeholder organisations are invited as guest members to provide specialist input.

The “Post-Brexit Implications for Agriculture and Associated Land Use in the Highlands and Islands” report was commissioned by the HIASG, and was written by Steven Thomson (Scotland’s Rural College) and Andrew Moxey (Pareto Consulting).

It draws on published analysis, literature and data, plus telephone interviews with regional stakeholders, to consider the potential economic, social and environmental implications of Brexit’s impacts on the distinctive agriculture, crofting and related land use found across the Highlands and Islands region.

The main thrust of the report’s conclusions is that future policy interventions should be distinctive and targeted in order to meet the needs of the Highlands and Islands. This chimes with the direction of travel of the Agriculture Champions, who are keen to avoid a “one size fits all” approach to future policy.

The core findings of the report were that:

- Extensive livestock grazing across the region is vulnerable to potential Brexit-induced price reductions and, especially, to the removal of income support measures.
- This will accelerate existing trends of declining agricultural activity, land abandonment and a shrinking agricultural workforce, with limited scope for alternative land use activities.
- Declining active land management will impact negatively on upstream and downstream sectors, notably the Scottish Government’s target growth sectors of Food & Drink and Tourism, risking wider economic activity and employment.
- Declining active land management will also impact negatively on a range of unique and internationally important environmental and cultural public goods maintained by extensive and small-scale agriculture.

- Scope for appropriate policy support may be constrained by a range of external factors, but mitigating Brexit impacts will require both income support to maintain a resident population of land managers plus more targeted support for providing specific public goods.
- Crucially, relative to current and past arrangements, policy support measures and funding levels need to better reflect the distinctive needs and contributions of the Highlands and Islands, consistent with National Performance Framework and international commitments.

## FOOD AND DRINK KEY FACTS

### Top Lines

- New industry led strategy launched March 2017 with ambition to double food & drink turnover value to £30bn by 2030. Focuses on the following themes: Brand; Market development; People & skills; Supply Chain; and Innovation.
- For the first time, the industry is providing financial support to deliver the new strategy - £2.5m over the next 3 years. This is a significant step forward and illustrates the strength of the partnership – The Scottish Government will provide £7.5 million for the next three years.
- Our Programme for Government also commits to a range of initiatives that will help increase demand for locally sourced and produced food and drink here in Scotland, with a strong focus on the public sector.

### Profile

- The farming, fishing, food and drink industry directly **employs 115,000** people
- There are **900 food and drink manufacturers**
- Majority of businesses in Food & Drink sector are **SME's**

### Performance

- Scottish food and drink **turnover £13.5 billion**, up 35% since 2007
- **Sales of Scottish brands** across the UK **up 36% since 2007**
- **Investment** by Scottish food and drink companies **up 72% since 2007**

### Exports

- **Overseas Food and drink exports worth £6 billion in 2017** –a record year, up 70% since 2007
- **Scotch Whisky exports worth £4.4bn**, and **food exports worth £1.6bn up 130%**
- Food and Drink **Exports to EU – £2.5bn** in 2017
- Whisky - Overseas exports to **over 200 countries**
- Food - Overseas exports to **86 countries**

## SCOTTISH GOVERNMENT SUPPORT FOR SECTOR

- £5m Annual Industry support Programme
- £66 million allocated over 2014-20 through our Food Processing Marketing & Cooperation Grant Scheme to support over 220 projects; 14m: EMFF (seafood processing) – covering 2014-2020
- £3.68 million for delivery of the SF&D Export Plan, led by SDI over 2014-19
- £8m: Strategic Research Programme

## BREXIT IMPLICATIONS FOR FOOD & DRINK SECTOR

- There are serious concerns within the sector about the prospect of Brexit in relation to access to markets, the continuation of availability of labour and the prospect of the introduction of tariffs.
  -
- It is vital the UK Government steps up to the plate and provides clarity on these issues as soon as possible.

## SCOTLAND FOOD & DRINK/AMBITION 2030

### Budget Allocation

- £2m per annum to Scotland Food and Drink for 3 years (2017-2020)
-

- Overall package to support Ambition 2030 announced by the First Minister equated to £10m investment on top of existing commitments: This included £7.5m from the public sector and £2.5m industry contribution. The public sector contribution was made up of:
  - £6m to Scotland Food and Drink
  - £1m for Market Driven Supply Chain Project
  - £500k of project spend

### Purpose

- New industry led strategy launched March 2017 with ambition to double food & drink turnover value to £30bn by 2030. Focuses on the following themes: Brand; Market development; People & skills; Supply Chain; and Innovation.
- Money will support work in the following areas:
  - Industry Development, work undertaken by SF&D, Seafood Scotland & SAOS
  - New UK Market Development Strategy
  - Regional & islands food development, including a new regional food fund for producers
  - New food tourism action plan.

### Impact of previous funding So Far

- Turnover up 35% since 2007 - now worth £13.5 billion
- Exports up 70% - now worth £6 billion
- Whisky exported to over 200 countries; food exported to over 80 countries
- Retail sales of Scottish food and drink brands across the UK up 41% - now £1.98 billion
- 41% increase in Scottish produce since 2007 through public sector contracts
- 75% increase in Protected Food Names holders since 2007.

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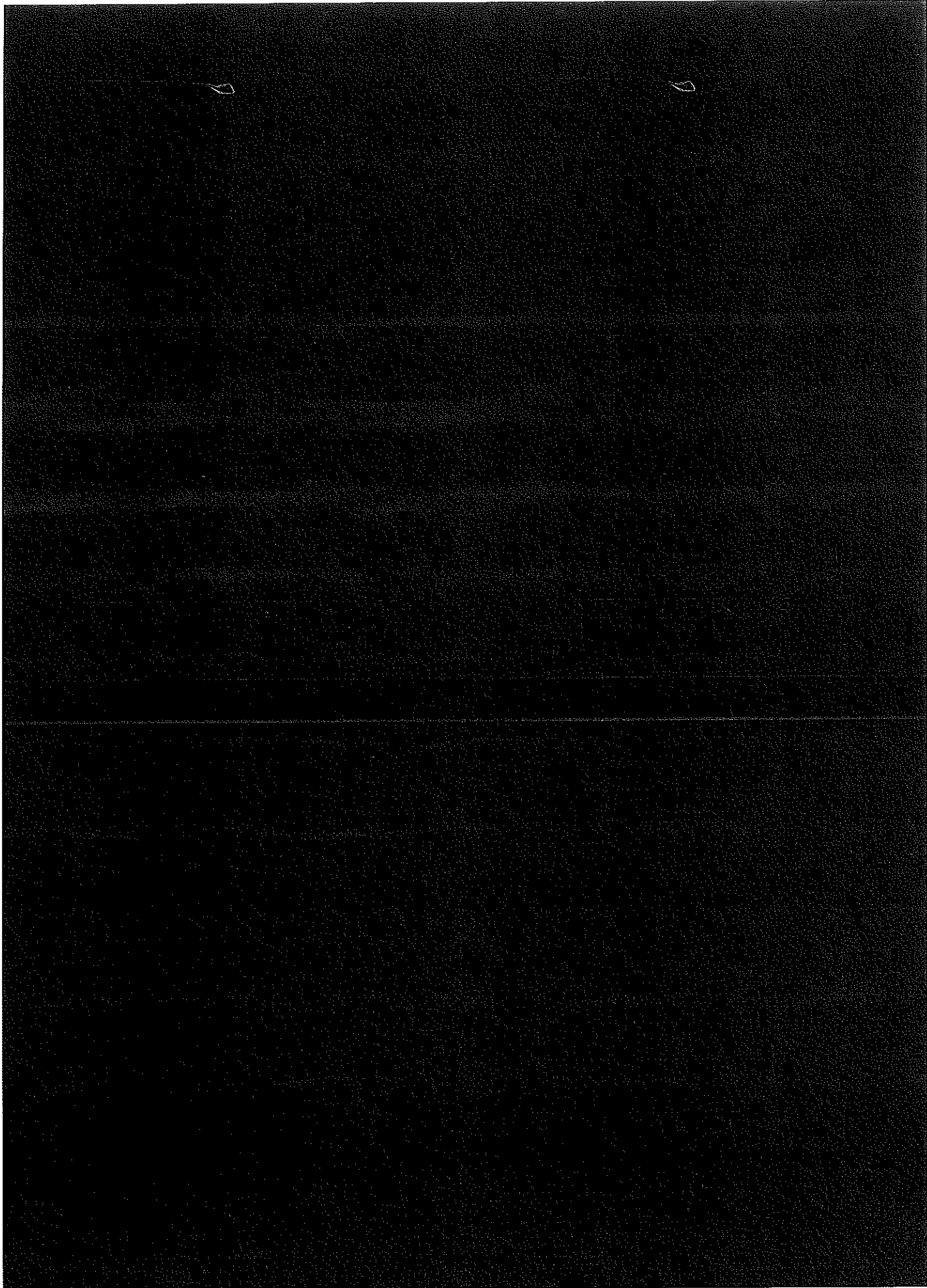
### Achievements in Year One of Ambition 2030

- New Fruit and Veg Industry Leadership group announced
- £1.1m Make Innovation Happen service launched
- £1.2m Food For Life Funding pledged from 2017 - 2020
- First ever Venison Summit held
- Showcasing Scotland at Gleneagles, expected to generate £50m in new sales
- First Regional Showcasing event held at Hampden park
- £15m EMFF funding awarded to 133 projects
- £16m FPMC funding awarded to 29 projects, creating 280 and safeguarding 1700

Jobs

### PINNEYS OF ANNAN: Updated 11 May





## **TOP LINES**

### **The Scottish Government will do everything possible to maintain production at the site and retain as many jobs as possible**

- The decision to close Pinneys is a deeply concerning situation and a very unwelcome announcement for their employees and the wider community;
- The announcement that Young's Seafood has itself been put up for sale adds further uncertainty to the situation at Pinneys;
- It is clear that the biggest asset at Pinneys is its dedicated workforce – they are highly skilled, motivated and produce food to the absolute highest quality;
- I know this continues to be a worrying time for Young's employees, their families and the wider community;
- The Scottish Government, our agencies and local stakeholders are committed to working in partnership with Young's and their workforce to seek to maintain production at the site;
- I want to assure all those who are affected by this uncertainty that we are determined to do everything we can to find a solution.

### **We are working in partnership Dumfries and Galloway Council, our Enterprise and Skills agencies and Seafood Scotland to find solutions.**

- We have convened an Action Group to explore all viable options to retain production at the site and safeguard jobs;
- The working group agreed to focus on 4 parallel workstreams:
  - To work with Youngs to explore all viable options to maintain their presence at the Pinneys site to safeguard as many jobs as possible;
  - To scope out potential new investors to the site and develop an attractive prospectus;
  - To develop and plan the Scottish Governments support framework for the workforce should PACE services be required;
  - To consider the wider economic impact for the community in Annan.
- We have agreed to leave no stone unturned to safeguard the future of the site and the employment of the workforce.

### **Interest in the site is high and this is encouraging.**

- Should Young's proceed with closure we need to explore all other viable options to maintain production and jobs at the site;
- The workforce are key– they are dedicated, motivated and highly skilled;
- A number of businesses have expressed interest in the site and we will work in partnership, where appropriate, to support any business case for the site.
- It is important for Young's to keep their options open regarding a potential buyer for the site.
- We have been approached by the agent of Calvin Harris signalling a willingness to help and we are in dialogue with them on what the options may be.

### **We are also working with Young's to assess the strength of their other sites in Scotland**

- Young's has a wider presence in Scotland
- 150 staff at their (other) scampi factory in Annan – which they are looking to now recruit an extra 50 staff;
- 300 at their Macrae's site in Livingston; and
- 200 at their Fraserburgh site.
- Young's HQ is in Grimsby where they have a large processing facility;



- 2 years ago, following a loss of another large retail contract (Sainsburys), the Fraserburgh site shed around 300 jobs. The Scottish Government response at the time was to create the Fraserburgh taskforce.



**Top Lines**

- Scotland's unemployment rate has been lower or the same than the UK's for 13 of the past 15 monthly labour market statistics releases.
- This month Scotland's unemployment rate (4.3%) is slightly higher than the UK's (4.2%).
- There are 2,630,000 people aged 16+ in employment. This is up by 10,000 over the past year and 66,000 more than the pre-recession peak (Mar-May 2008).
- The number of people in self-employment has decreased by 36,000 over the year to 285,000.
- Scotland's employment rate for young people (55.6%) is higher than the UK's (54.1%).
- Scotland's unemployment rate for women (3.7%) and young people (10.5%) is lower than the UK's (4.2% & 11.5%).

**Headline Labour Market Indicators for Scotland and UK – Jan to Mar 2018**

	Indicator	Rate (%)	Change (%pt) over		Level ('000)	Change ('000's) over	
			Quarter	Year		Quarter	Year
Scotland	Employment	74.7	0.3	0.6	2,630	-2	10
	Unemployment	4.3	-0.2	-0.1	118	-6	-2
	Inactivity	21.9	-0.1	-0.5	748	-5	-19
UK	Employment	75.6	0.4	0.8	32,344	197	396

Unemployment	4.2	-0.2	-0.4	1,425	-46	-116
Inactivity	21.0	-0.3	-0.5	8,658	-115	-171

Note: Employment rate, inactivity rate and inactivity level cover those aged 16-64; unemployment rate covers all those economically active; employment and unemployment levels cover those aged 16+.

### **Scotland outperforms the UK on labour market outcomes for young people:**

- Compared with the UK, Scotland's youth employment rate is higher (55.6% vs. 54.1%) and unemployment rate lower (10.5% vs. 11.5%).
- Scotland's youth inactivity rate is lower than the UK's (37.9% vs. 38.9%).

### **Scotland outperforms the UK on unemployment for women:**

- Scotland's unemployment rate for women (3.7%) is lower than the UK's (4.2%).
- Scotland's unemployment rate for women decreased by 0.5 percentage points (p.p) over the past year compared with a 0.2 p.p. decline for the UK as a whole.

### **The Scottish Government is taking action to support people entering the labour market, including:**

- In April last year, we launched the transitional employment services – Work First Scotland and Work Able Scotland.
- 4,472 people were supported by these programmes between April and December 2017.
- We are now delivering a new distinctly Scottish programme of employment support, Fair Start Scotland, which commenced in April 2018.
- Fair Start Scotland aims to support 38,000 people to enter the labour market, including those facing barriers, over the next three years.
- Scottish Enterprise recently awarded a £2.35m Regional Selective Assistance Grant to recruitment firm SThree to create a Shared Service Centre in Glasgow.
- This investment is expected to create 272 jobs in the first year, 96 are potentially graduate posts. All jobs will pay above the Scottish Living Wage.
- We will continue to work to support employment and our priority remains developing the conditions for economic growth.
- This includes through taking forward our multi-billion pound infrastructure plan, and the Scottish Growth Scheme.