

**MINISTERIAL ENGAGEMENT BRIEFING: KATE FORBES, MINISTER FOR  
PUBLIC FINANCE AND DIGITAL ECONOMY**

**Briefing for Dinner with Noble & Company Ltd**

<b>What</b>	You have agreed to attend a dinner event invitation by <b>Noble &amp; Company Ltd</b> at the Company's premises. MACCS ref: 2019/0002868
<b>Where</b>	<ul style="list-style-type: none"> <li>Noble &amp; Company Ltd 95A George Street Edinburgh EH2 3ES</li> </ul>
<b>When</b>	<ul style="list-style-type: none"> <li><b>Date:</b> Thursday 5 September 2019</li> <li><b>Time:</b> 18:30-20:30 hrs</li> </ul>
<b>Key Message(s)</b>	<ul style="list-style-type: none"> <li>Scottish Government is committed to ensuring our future workforce and businesses are resourced and equipped to help them embrace the opportunities of the digital revolution.</li> <li>We are making Scotland a CAN DO place for business, creating one of the most supportive business environments in the world where businesses are able to get the right information, advice and support at the right time.</li> <li>Technology is transforming the way we do business. We want to help Scotland's businesses and individuals achieve their fulfill potential in a digital world.</li> <li>We have a number of programmes aimed to support this ambition - such as Digital Start Fund, Digital Boost and the Digital Development Loan.</li> </ul>
<b>Who</b>	<p><b>Your meeting attendees include:</b></p> <ul style="list-style-type: none"> <li><b>Angus Macpherson</b> - CEO, Noble &amp; Company Ltd</li> <li><b>Duncan McFadzean</b> - Senior Managing Director, Noble &amp; Company Ltd</li> <li><b>[REDACTED]</b> - Office Manager &amp; Company Secretary, Noble &amp; Company Ltd, (mob: <b>[REDACTED]</b>)</li> </ul> <p>Guest attendees are included in <b>Annex B</b></p>
<b>Why</b>	Noble & Co is a Scottish Investment Bank, advising companies and public sector bodies in expansions, strategic reviews, restructuring or mergers and acquisitions.
<b>Supporting official</b>	<ul style="list-style-type: none"> <li><b>[REDACTED]</b> (Policy Manager, Digital and Data Driven Business) (Mob: <b>[REDACTED]</b>)</li> </ul>
<b>Briefing contents</b>	<ul style="list-style-type: none"> <li><b>Annex A:</b> Schedule, Summary of Visit &amp; Suggested Lines</li> <li><b>Annex B:</b> Biographies</li> <li><b>Annex C:</b> Company Profile</li> <li><b>Annex D:</b> Digital Economy &amp; Skills</li> <li><b>Annex E:</b> Key Issues Across The Economy</li> <li><b>Annex F:</b> Financial Services</li> <li><b>Annex G:</b> Fintech</li> <li><b>Annex H:</b> Scottish National Investment Bank</li> <li><b>Annex I:</b> Income Tax</li> </ul>

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	<ul style="list-style-type: none"><li>• <b>Annex J:</b> Brexit</li><li>• <b>Annex K:</b> Map of Location</li></ul>
<b><i>Dress code</i></b>	<ul style="list-style-type: none"><li>• Business attire.</li></ul>
<b><i>Greeting Party and specific meeting point on arrival (if event is at a non-SG Building)</i></b>	You will be met at the front door at the main entrance of the building by: <ul style="list-style-type: none"><li>• <b>[REDACTED]</b> (Scottish Government)</li><li>• <b>[REDACTED]</b> (Noble &amp; Company Ltd)</li></ul>
<b><i>Specific entrance for Ministerial car/parking arrangements</i></b>	There is one entrance to the building via an entry buzzer system. There is parking available on George Street.

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**Annex A**

**SCHEDULE**

18:30	Arrive at Noble & Company Ltd
18.35-20.25 (approx.)	<ul style="list-style-type: none"><li>• Introduction to Angus Macpherson and assembled attendees;</li><li>• Dinner and free form discussion and opportunity to meet guests from various businesses;</li></ul>
20:30	Minister departs

**SUMMARY OF VISIT**

**This visit is an opportunity to hear from Noble and Company Ltd and engage with people representing businesses, hearing about their concerns first-hand and how the Scottish Government can consider their interests more effectively.**

**It can demonstrate the Scottish Government's commitment to small businesses and how it is providing a supportive business environment in partnership with public, private and third sector partners as well as highlight how the Scottish Government is supporting small businesses to build their digital capability.**

**There is also an opportunity to raise awareness of how the Scottish Government is facilitating greater access to finance while engaging with investors and those in receipt of investment.**

**SUGGESTED LINES TO TAKE**

- Delighted to hear of the success of the organisation and of its impact in Scotland.
- Interesting to hear of your plans for the future and how you can align this to further enhance our Scottish Economy.
- Scottish Government is committed to ensuring our workplaces and workforces are equipped with the digital capabilities and skills they need to thrive.
- We are making Scotland a CAN DO place for business, creating one of the most supportive business environments in the world where businesses are able to get the right information, advice and support at the right time.

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Annex B

## BIOGRAPHIES

### Noble & Company Ltd



#### **Angus Macpherson, CEO**

Angus joined Noble in 2006 and was appointed chief executive in 2007. He is Chairman of Henderson Diversified Income, a Non-Exec Director of Pacific Horizon Investment Trust and a Trustee of the Scottish Policy Foundation, a politically neutral charitable trust promoting policy debate in Scotland.

Angus previously worked in London, New York, Singapore and Hong Kong, latterly as head of Capital Markets and Financing for Merrill Lynch in Asia.



#### **Duncan McFadzean, Senior Managing Director**

Duncan joined Noble in 2011. Formerly he was a Director with Bank of Scotland (Corporate) in Edinburgh focused on Fund Investments, Housebuilding and Hotels sectors. Prior to this he spent a decade in London working as a Software & IT Services equity research analyst for Merrill Lynch where he was part of the top ranked team in Europe.

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## Guest Biographies



### **Ronnie Millar, PaySend.com**

Ronnie is Chief Executive Officer for Europe at PaySend.com, a Scottish Fintech company enabling worldwide money transfer. He is also Co-founder of PayWizard. Ronnie, a chartered accountant spent 12 years in venture capital and property, as Finance Director of Argent Group plc, a quoted property company.



### **John Fordyce, The Three Stills Company**

John is Director and Co-founder of the Three Stills Company; the owners of The Borders Distillery in Hawick which opened in 2018. The Three Stills Company operates the Scottish Borders' first (legal) whisky distillery since 1837, which produces malt whisky and a gin featuring local botanicals.



### **Kirsty Macpherson, Brodies LLP**

Kirsty is partner at Scottish Law firm Brodies LLP. She is Co-head of Renewables with a wide range of expertise in energy projects, commercial property and strategic land. Her experience spans a number of key areas in Scottish Property law with over 14 years of experience in onshore wind, hydro, biomass and anaerobic digestion plants.



### **Jennifer Given, Float**

Jennifer is Chief Operating Officer at Float, an Edinburgh-based cashflow forecasting specialist. She joined Float in December 2018 from Cashmaster International where she worked as COO and CFO for more than 3 years. Jennifer is a chartered accountant

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#### **Alan McFarlane, Reform Scotland**

Alan is Chairman at Scottish Think Tank Reform Scotland, and the founding partner of Dundas Partners LLP, an Edinburgh based investment management business. He is a graduate of the University of Edinburgh with an MA in Politics and Modern History.



#### **Graeme Hartop, Hampden & Co.**

Graeme is Chief Executive Officer of Hampden & Co, an Edinburgh based private bank operating since 2015. Graeme is a qualified Chartered Accountant and Chartered Banker with over 25 years' experience in the banking industry.



#### **Simon Miller, Brewin Dolphin**

Simon is Chairman at Brewin Dolphin since March 2013. He is also chairman of Blackrock North American Income Trust PLC and JPMorgan Global Convertibles Income Fund and a director of STV. Simon read law at Cambridge and worked for Lazard Brothers and County NatWest.



#### **Adam Bruce, Mainstream Renewable Power**

Adam is Global Head of Corporate Affairs at Mainstream Renewable Power. He is a senior energy industry player with over a decade's experience working in, or advising, the global clean energy sector. He is also Chairman and Vice-President of national and international industry and government bodies and a member of various 3rd sector and HE Boards.

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Annex C

## COMPANY PROFILE

### Background

Noble is an investment bank providing a unique range of professional services to fast growth small/mid cap companies and investment vehicles. It was formed as a corporate finance firm specialising in the oil & gas sector in 1980. In the mid 1980s the company widened its sector focus and began providing advice to the financial services and technology sectors and became a sponsor on the London Stock Exchange (“LSE”). In 2000 Noble became a broker on the LSE and was the first broker to fully outsource all investor research on behalf of its corporate clients to third parties. Today these activities all form Noble & Company, the corporate finance and broking subsidiary of Noble.

In 1996 Noble formed Noble Partnership, now Noble and Company Ltd, to provide outsourcing professional services such as financial management and company secretarial services to investment vehicles sponsored by Noble. Today Noble Corporate Management provides financial management, investment administration, human resources, health and safety and company secretarial services to a wide range of corporate clients and investment vehicles across many different business sectors.

### Focused on Scotland

They are currently based in Edinburgh and are solely focused to capitalise on the opportunities within Scotland. They offer local support to clients as they understand the culture and are particularly interested in making Scottish opportunities successful. They believe the key to achieve this is to connect with investors – both financial and corporate.

### Established Connections

Noble & Company now have 38 years’ experience and understand that a successful business case has been developed through contact with numerous investors across multiple business sectors. They now have strong established relations across a wide range of the stakeholders which all play a part in the Scottish economy.

Through their partnership with Haitong, they are now able to bring a broad international exposure to Scotland. They have been ranked No.2 by total assets and net assets amongst Chinese investment banks, with shareholder funds reaching £14.8bn as at 31<sup>st</sup> June 2018.

### **Selected Facts and Financials** (Source: Haitong, Reuters)

- Market Cap (as at 15/02/2019) - £ 13.1bn
- Institutional and HNW clients - 24,000
- Total Assets (as at 30/06/2018) - £66bn
- Total customers - 13.0m
- Revenue 2017 - £4.7bn

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### Current Issues/Recent News

- ES Noble rebranded Noble & Co. in April 2016.
- In September 2015, Espirito Santo Investment Bank was acquired by Haitong Securities.
- In March 2013, Espirito Santo Investment Bank acquired the outstanding minority interest in Execution Noble.
- In April 2012 ES Noble & Co. was created as an independent company to focus on the Scottish Market, acting in partnership with Espirito Santo Investment Bank.
- February 2010 – Execution Noble agreed to sell a controlling stake (50.1%) in its business to Banco Espirito Santo de Investimento (BESI), Portugal's largest listed bank. BESI chief Executive Jose Maria Espirito Santo Ricciardi will become chairman of the group.
- December 2009 – It was announced that the investment bank has agreed to be bought by Execution. The group will have its HQ in London but will retain “a strong Scottish presence”
- August 2008 – The company announced the opening of an American office in Texas to focus primarily on oil and gas companies.
- May 2008 –Noble revealed it had bought a speciality research firm which focuses on small and medium-sized companies in India. The addition of Clear Capital , which has offices in London and Mumbai, marks a transformation of Noble's operations. Noble said that it will use its new arms expertise in Indian equities to shift Noble's focus away from the slowing UK equities market to the fast-growing markets in India.
- April 2008 – Noble Group has accepted privately-owned financial services group Arch as a 19% shareholder in the culmination of a revamp that sees the company founders' stakes converted into non-voting shares. This is the company's first external shareholder.



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## DIGITAL ECONOMY AND SKILLS

### Issue

- Latest figures show that **102,000 people are employed in ICT and digital technologies** roles in Scotland, which is higher than had been forecast in 2014.
- We **need 12,800 new entrants a year** into digital roles to meet both replacement and growth demand, a need that the labour market cannot currently meet.
- There is a gender gap within this sector, with only 23.4% female participation.
- The digital technologies sector contributes to employment and economic growth in Scotland, **contributing £5.2 billion GVA** to the Scottish economy in 2016.
- The sector is **forecast to be the fastest growing sector in Scotland to 2024.**

**Technology is transforming the way we do business. We want to help Scotland's businesses and individuals achieve their full potential in the digital world.**

### TOP LINES

- Digital Skills is a massive challenge which will only be affected by committed effort and investment from both public and private sector
- We have made **£25m** available over the past 6 years to help tackle digital skills shortages and help Scottish businesses become more digitally able.

### Digital Skills

- Growth of Scotland's tech sector and increasing digitalisation of businesses across the country means that staff with a range of general and specialist digital skills are urgently needed across the economy – demand is currently well ahead of supply.
- The Digital Skills Investment Plan (SIP) was published in March 2014 and outlines key actions under 4 key themes – addressing immediate need; raising the sector profile; broadening the future talent pipeline; and making the education system more responsive.
- We have invested over £12m in digital skills initiatives since 2015, aimed at increasing the talent pipeline, through early years, schools and in-work training as well as the CodeClan academy and the Digital Start Fund.

### CodeClan

- In July 2015, DFM approved £1.56 million of the SIP budget to help deliver CodeClan, the industry-led digital skills academy. CodeClan offers students (graduates, career changers, women returners) a high level much sought after SQA accredited qualification in software development. To date SG has invested over £3m in CodeClan with over 600 students now graduated CodeClan announced in April 20-19 that it has now placed 501 graduates in employment since the first graduation in 2016.

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### Support for Business

- **DigitalBoost** - A £7.8 million national programme of digital skills focussed advice and support for all SMEs delivered by Business Gateway.

### Digital Growth Fund

- In March 2017 First Minister announced additional funding of £36m over the next 3 years in the form of loans to businesses to invest in their digital skills and capabilities. The **Digital Development Loan** is the first scheme delivered under this Fund. This is making **£2 million** available in the first phase and was launched in June 2018. Plans for the enhanced second phase will be announced soon.

### New Digital Start Fund

- The Cabinet Secretary for FE&FW announced in December 2018 that **£1m** would be provided for a more inclusive fund to support those facing barriers such as being out of work and those on low incomes seeking to train in digital skills.
- The **Digital Start Fund** launched in May 2019, will support development of much sought after software development and cyber security skills, up to SCQF level 8. Information on the scheme and how to apply can be found on Skills Development Scotland's [www.digitalworld.net](http://www.digitalworld.net) website.

### 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 know the digital skills challenges will only increase as technologies advance, and so 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 **Digital Graduate Apprenticeships and Foundation Apprenticeships** in software and hardware and, 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.
- We continue to work with industry partners on the **Gender Action Plan** to drive female participation in the sector up from the stagnant 18%. Latest figures show that we are now at 23% participation rates.

[REDACTED]: Digital Economy and Skills, September 2019

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Annex E

## BRIEFING ON KEY ISSUES ACROSS THE ECONOMY

### TOP LINES

- Our Programme for Government lays down an ambitious roadmap for the Scottish economy.
- Our Enterprise Agencies are delivering the intensive support and access to specialised resources which give small businesses the right mix of tools and skills to grow, innovate and create jobs.
- Business Gateway is providing a bespoke service adapted to local business conditions, giving enterprising people the support they need to start and grow their own businesses.
- We are helping small businesses to put Fair Work first and be more values-driven as business for good is good for business, increasing productivity, performance, growth and innovation.

### Latest economic data shows the strength of Scotland's economy.

- Scotland's economy is growing, employment is at a record high, exports are growing faster than anywhere else in the UK and productivity is increasing.
- **In Q1 2019**, Scotland's economy grew by **0.5%**. This was the fastest pace of quarterly growth since the start of 2017 and in line with the UK.
- **GDP per person** grew **0.3%** in Q1 2019 and has increased for the last two quarters.
- Scotland's labour market is performing strongly with record high **employment** (75.9%) and low **unemployment** (3.3%), continuing to be close to its record low.
- Over the past year the number of **people in employment** has **risen by 34,000**.
- In **2018**, Scotland's productivity grew **3.8%** on an annual basis, compared to **0.5% in the UK**.
- Since **2007 productivity** in Scotland has grown **10.8%**, compared to growth of **2.7% in the UK**.
- Export data from HMRC shows **Scottish exports** of goods **increased by 12.9% in the year ending March 2019**, faster than any other UK nation.
- **Business R&D spend** in Scotland increased **13.9% in 2017** to reach a record **£1.25 billion**. In the UK as a whole spend increased by only 2.9%.
- EY Attractiveness Survey shows that **Scotland** was the **top UK region** for foreign direct investment (**FDI**) **projects outside of London in 2018**.

### **National Performance Framework**

- The NPF provides a framework for collaboration across the whole spectrum of Scotland's civic society, including public and private sectors, voluntary organisations, businesses and communities.
- It is based on delivering 11 National Outcomes that improve the quality of life for the people of Scotland. Progress is measured through 81 National Indicators.
- The UN Sustainable Development Goals (SDGs) have been integrated alongside the National Outcomes for the first time. Delivering the SDGs by 2030 will require an all of Scotland effort and the Scottish Government is working to support the role of businesses as active partners in this endeavour
- The Scottish Government is keen to support business and industry to adopt the NPF as a shared platform for collaboration and a springboard to instigate transformational changes in our society.

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- We see business and industry as working with other partner organisations in both the public and private sectors to deliver multiple Outcomes, including economy, environment, education and skills.

### Climate Emergency

- We have acted immediately with amendments to our Climate Change Bill to set a net-zero target for 2045 and increase the targets for 2030 [to 70%] and 2040 [to 90% - equivalent to carbon neutrality, or net-zero CO<sub>2</sub>].
- Our high ambition will be matched by on-the-ground delivery. We will update the Climate Change Plan within 6 months of the Bill receiving Royal Assent.
- We are now looking across our whole range of responsibilities to make sure we continue with the policies that are working and identify areas where we can go further, faster.
- We have already announced new and ambitious action on deposit return, agriculture and renewables and a change in our policy on Air Departure Tax.
- Over the summer we will engage the public, communities, businesses, industry, and the public sector in a discussion about what more can be done. Our response to the global climate emergency must be a shared, national endeavor.

### Economic Action Plan

- Our Economic Action Plan focuses on key actions that enhance our economic support to business, places and people across Scotland.
- Those actions reflect a focus on delivering a vibrant, inclusive and sustainable economy. And we will do this through enabling a competitive business environment, a highly skilled workforce, and radical action to benefit every business and individual in Scotland.

### Fair Work Action Plan

- Our Fair Work Action Plan, published on 27 February 2019, sets out how we will deliver our ambition of becoming a world-leading Fair Work Nation by 2025.
- Our focus will be on: supporting employers adopt Fair Work practices; delivering Fair Work to a diverse and inclusive workforce; and embedding Fair Work across the Scottish Government.
- Actions include working with employers and partners to deliver Fair Work First - the default position to harness the financial power of the Scottish Government - by the end of this Parliament, extending fair work criteria to as many funding streams, business support grants and public contracts as we can.
- We will also develop a Fair Work benchmarking tool, introduce an online HR service for SMEs, and co-host an international Fair Work Summit with the Fair Work Convention.

### Fair and Inclusive Workplaces

- Improving women's position in the labour market is a key part of delivering inclusive economic growth.
- On International Women's Day (8 March 2019) we published A Fairer Scotland for Women: Gender Pay Gap Action Plan. The aim of the Action Plan is to deliver a cross-government approach, tackling the causes of the inequality women face in the labour market.
- We are committed to doing all we can to address the barriers that prevent minority ethnic people from realising their true potential and accessing employment and being treated fairly in employment.

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- The Minister for Business, Fair Work & Skills chairs a working group tasked to create best practice guidelines for employers and improve access to advice for pregnant women and new mothers.
- We are working with employers to encourage flexible, agile and inclusive workplaces that benefit all employees. We are a partner in – and fund – the Family Friendly Working Scotland (FFWS) Partnership.

### Business Pledge

- The Scottish Business Pledge (SBP) launched in May 2015 is a **values-led partnership between Government and business to create lasting inclusive, economic success.**
- It is a voluntary commitment bringing together elements to improve productivity and competitiveness and build sustainable growth that also achieves fairness, equality, opportunity and innovation.
- We have refreshed the SBP and creating a business-led learning network. We are also establishing a business leadership group which will focus on driving visibility and promotion of SBP and its business benefits.
- Within **the new structure the core (mandatory) elements are payment of the real living wage, no inappropriate use of zero hours contracts and action to address gender pay gap.**
- We have **introduced a new environmental impact element** which encourages businesses to operate more sustainably to help support wider climate change targets.
- **Currently there are 650 business pledge signatories.**

### Business Brexit Readiness

- It's critical that Scottish businesses continue to assess and plan for the challenges of Brexit and our **"Prepare for Brexit" campaign** will help them build economic resilience against potentially significant changes. **Businesses can access advice, online self-assessment toolkits, book onto learning events and apply for £4K readiness preparations grants.**
- On 13 March First Minister announced expanded criteria for these £4K grants to support businesses of all sizes and especially SMEs - least likely to have a Brexit response plan in place.
- Scottish Enterprise has set aside £0.5m in 2018/19 and £1.5m in 2019/20 to fund the grants.
- Practical advice and support being is being offered through our enterprise and skills agencies - Scottish Enterprise, Highlands and Islands Enterprise, and Skills Development Scotland.

### Supporting Small Businesses in Scotland

- Scotland is a CAN DO place for business, creating the 5th most supportive business environment in the world, rising above the rest of the UK from 12th (2013) in the Global Entrepreneurship Development Index.
- Working with public, private and third sector partners through Scotland CAN DO to be a world-leading entrepreneurial nation, the proportion of people actively trying to start a business has doubled since 2012.
- Scotland's small businesses are making a massive contribution to inclusive and sustainable growth.
- There are more private sector employers in Scotland than at any other time since the Businesses in Scotland series started in 2000.

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- Small businesses provide 1.2 million jobs in Scotland, 830 more businesses with 1-49 employees and 70 more employing 50-249 between 2017 and 2018.

#### Enterprise & Skills Review – Enterprise Support (Single Portal)

- The Enterprise and Business Support project seeks to provide a system of enterprise support that is designed around and focused on the user. It will make it much simpler and quicker for businesses to access the support they need throughout their growth journey.
- Digital support and a single digital portal will mean businesses are able to easily access the right support at the right times from the right providers, throughout their growth journey. ***The initial portal is in testing now, a fully public facing portal with all public support products will go live by the autumn.***
- This will improve business experience by, for example, ensuring smoother access and hand-on to the most appropriate partner. Where customers currently perceive the current system of enterprise support as cluttered, this will ensure that the landscape will be simplified from the user perspective.

#### Enterprise and Business Support Partnership (Single Entry Point)

- The project seeks to provide a system of enterprise support designed around and focused on the user—**building towards one clear/simple way for businesses to get the right support at the right time.**
- Business Gateway, Highlands & Islands Enterprise, Scottish Enterprise and Skills Development Scotland have together developed an early prototype of a single entry point. This has been built for businesses based on their feedback and is being tested with businesses to develop the prototype to the next stage.
- **The ambition is to make all products and services offered by the public sector organisations available and visible – through one single place online.**
- Businesses looking for support will find it quickly - more businesses are supported to grow, build resilience and help boost Scotland's economy.
- **Businesses across Scotland will be able to start using the early stages of the new Single Entry Point service within the next few months**

#### Manufacturing and National Manufacturing Institute for Scotland

- There should be no doubt about the importance of our manufacturing industry - which **employs over 185,000 people in Scotland** - to our future success.
- Our Manufacturing Action Plan is based on raising productivity through increased investment, innovation and long-term partnership between government, industry, Enterprise Agencies and other stakeholders.
- NMIS is part of our wider vision for advanced manufacturing in Scotland. Funding of **£65m** for **NMIS** has already been announced - **£48m** from the **SG** and **£8m** from **University of Strathclyde**, along with **£8.9m** already announced for the **Lightweight Manufacturing Centre (LMC)** in June 2017.
- The **LMC**, which will focus on manufacturing with lightweight materials like carbon is currently delivering projects for companies and formally opened at the end of June.
- The Advancing Manufacturing Challenge Fund (AMCF) launched by the Cabinet Secretary for Finance, Economy, and Fair Work on 29 May 2019 **will target up to £14 million in European funding, with scope to increase to £18 million depending on demand.** It will support the public-sector equipment and facilities needed to spread the reach and benefits of advanced manufacturing across Scotland.

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- The main work for the wider **Advanced Manufacturing Innovation District Scotland (AMIDS) site** – with NMIS and MMIC as anchor tenants - will start in August 2019 with the supporting infrastructure being developed through a **£39 million Glasgow City Region City Deal project**.

### Skills – Providing a highlight skilled workforce through education, training and reskilling

#### Apprenticeships

- In Scotland, the continuation of the well-established and successful Modern Apprenticeship (MA) system along with the expansion of Foundation and Graduate Apprenticeships affords stability and continuity.
- Quarter 4 MA statistics published on 11 June 2019 show we exceeded our 2018-19 target of 28,000 MA's with 28,191 starts in 2018/19, including 921 Graduate Apprenticeships.
- Work is underway to increase this further with **our target to provide 29,000 new starts in 2019/20** - will include **up to 1,300 Graduate Apprenticeships** and continue to prioritise higher level training and STEM.
- We are also expanding the number of Foundation Apprenticeships (FAs), to equip more people at school with industry-recognised qualifications, skills and the practical experience that industry needs.
- Skills Development Scotland has contracted for **5,000 FA opportunities in 2019/20**, to be offered through a range of delivery models including colleges, Local Authorities and independent training providers.

#### Future Skills

- Our 2018 Programme for Government includes a commitment to develop a **Future Skills Action Plan in 2019**, and to establish a National Retraining Partnership.
- Together with complementary skills system and policy actions in our Economic Action Plan, and the actions contained within the Strategic Plan of the Enterprise and Skills Strategic Board that are being taken forward by the Enterprise & Skills Agencies, this is a broad body of work to ensure that our skills system will continue to meet our broader economic ambitions.
- The **key ambitions** include: greater support/opportunities for those in work and/or mid-career to upskill and reskill the establishment of an agile, responsive, employer demand led skills system that is evidence based, supporting lifelong learning, provided by all parts of the Training & Education system in Scotland.

#### Flexible Workforce Development Fund

- The Flexible Workforce Development Fund is targeted at Scottish based Levy-paying employers in recognition that they have to pay the UK Government Apprenticeship Levy.
- SG has been clear that Scotland's share of the Levy largely replaces money previously received through the block grant (per capita share - 2017/18 – £221m; 2018/19 – £230m; 2019/20 - £239m). In Year 1 approximately 9000 people accessed training through FWDF - even gender balance across participants.
- Applying a 'fixed cap' model for all Levy-paying employers accessing the fund in year 3 will maximise the number of Levy-paying employers who can benefit from this opportunity to upskill and reskill the workforce.

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- Scotland's skills system is built around employer demand, be that through our apprenticeship offers or the FWDF, where there is flexibility for employers to articulate their specific skills needs with a college of their choice. The application window for year 3 opens on the 1 August 2019.

### **Investment – Boosting investment and delivering world- class infrastructure**

#### **National Infrastructure Mission (NIM)**

- All international studies show positive long-term effect from government infrastructure investment on economic growth and productivity. Scotland and the UK are behind other developed nations, UK and Scotland average **2.4% (2017) GDP vs. 3.4% G7 average**
- In Programme for Government, the FM announced the adoption of a National Infrastructure Mission.
- The National Infrastructure Mission commitment will increase annual investment by 1% of (2017) GDP by the end of the next Parliament
- This will mean that annual investment in our hospitals, schools, houses, transport, low carbon technology and digital connections, will be around **£1.56 billion higher by 2025-26 than 2019-20**
- We have set the **2019-20 baseline of £5,195.8 million** which we will steadily increase so that we reach **£6,750.8 million** of infrastructure investment **by 2025-26**.

#### **Infrastructure Commission (IC)**

- A new Infrastructure Commission has been established to provide long-term strategic advice to the Scottish Government on national infrastructure priorities. It will produce a report on infrastructure ambitions and priorities by the end of 2019
- The Commission's advice will inform the development of the Scottish Government's next Infrastructure Investment Plan, setting out a coherent plan across the sectors for the next 5 years.

#### **Scottish National Investment Bank**

- The Bank has the potential to transform Scotland's economy, providing patient and growth capital for businesses and important projects to catalyse private sector investment
- The Bank will be a cornerstone institution in Scotland's financial landscape. SG has committed to providing £2 billion over 10 years to capitalise the Bank. This is both ambitious and achievable.
- The Bank will build on the success of operations and initiatives currently underway. It will align with and compliment activity by the Enterprise Agencies and where appropriate will consolidate and streamline the financing activities of Scottish Government and its agencies.

#### **SME Access to Finance - Scottish Growth Scheme**

- We are unlocking up to £500 million of investment for ambitious SMEs to grow and export through the Scottish Growth Scheme, fostering a broader range of growth and export-oriented SMEs.
- As at 31 May 2019, **158 companies** have received **£125.3m** under the Scottish Growth Scheme.



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- The Scottish Growth Scheme is boosting access to finance through a range of funding options **microfinance** (up to £25k); **debt** (£25k-100k, and £250k-£2m); and **equity** (up to £2m, and £2m-£10m).

### Importance of Place

- The Place Principle was adopted by the Scottish Government on 12 March 2019. Developed by a wide range of cross sectoral partners to help partners', public, third, private sector and community.
- It requires the discipline of a more joined-up, collaborative and integrated approach to services, land and buildings; improving cross-government working; and the efficient and effective utilisation of our collective energy, investments and resources to make the most of their impact.
- The principle is not prescriptive – it encourages and enables local flexibility in responding to issues and circumstances in different places, providing a collective focus to support inclusive and sustainable economic growth to help create places which are both successful and sustainable.
- We are launching a place website in the summer and SG will write to public agencies and NDPBs shortly to encourage their adoption of the place principle.

### City Region Deals

- We are committed to working with all our cities to unlock investment, whether individually or collectively, through a City Region Deal or through one of SG's initiatives to stimulate growth and deliver investment.
- Scottish Government has now secured deals for all of Scotland's cities: four are in delivery and two are at Heads of Terms. In total, Scottish Government has committed to **invest £1.275 billion** in City Region Deals over the **next 10-20 years**.

### Regional Economic Partnerships and Regional Growth deals

- We are committed to enabling development of Regional Economic Partnerships representing every community in Scotland. This is a commitment set out in the Enterprise and Skills Review.
- We want Regional Partnerships to be collaborations between local authorities, the private sector, education and skills providers, our economic agencies and the third sector.
- These partnerships are inspired by collaborative working on the City Region Deals and other regional growth deals across Scotland.
- We want to achieve 100% coverage of Scotland with growth deals and regional economic partnerships. As part of that commitment, we are working with our enterprise agencies and other key partners to ensure that the best inclusive outcomes are achieved through creation of new jobs and wider economic opportunity.

### The UK Industrial Strategy

- The Industrial Strategy Challenge Fund 'brings together world class UK research with business investment to develop the technologies that will transform existing industries and create new ones.
- The Strength in Places Fund takes a place-based approach with funding competitively awarded to consortia that can demonstrate their activity will bring significant economic benefit to their local area. The SiPF is open to any area of technology, sector, or research discipline focus

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Annex F

## FINANCIAL SERVICES

### Key Facts on Scotland's Financial Services Sector

#### Economic Contribution

The most recent Scottish GDP data, published in June 2019, show that:

#### Latest economic data shows the strength of Scotland's economy.

- Scotland's economy is growing, unemployment is at a record low, exports are growing faster than anywhere else in the UK and productivity is increasing.
- Scotland's quarterly GDP growth was above the UK in Q4 2018 (0.3% vs 0.2%).
- In 2018, GDP per person has grown more rapidly in Scotland than in the UK (0.9% vs 0.7%).
- Scotland's unemployment rate has fallen to its lowest rate on record (3.2%).
- Over the past year the number of people in employment has risen by 23,000.
- In 2018, Scotland's productivity grew 3.8% compared to 0.5% in the UK as a whole.
- Since 2007, productivity has grown 10.8%, compared to 2.7% in the UK.
- Export data from HMRC shows Scottish exports of goods increased by 6% in 2018, faster than any other UK nation.
- Business R&D spend in Scotland increased 13.9% in 2017 to reach a record £1.25 billion. In the UK as a whole spend increased by only 2.9%.
- EY Attractiveness Survey shows that Scotland was the top UK region for foreign direct investment projects outside of London in 2018.

Report by 4-consulting highlighted that "Edinburgh's economy is more reliant on financial services than the London economy or any other UK city economy. Edinburgh's share of financial services is markedly ahead of most large European cities. The latest available data from the Office for National Statistics (ONS) shows that financial services accounted for a higher share of Edinburgh's national economy (23.8%) than London (18.9%) or any other city in the UK. This is measured by Gross Value Added (GVA) in 2014. Additional data published by Eurostat shows Edinburgh's economy is more reliant on financial services than any other European city (for which data is available) apart from Luxembourg. (Eurostat data for some cities was only available for 2013)"

#### Employment

	Financial Services Employment		As a Proportion of Employment in All Sectors (%)	
	2016	2017	2016	2017
<b>Scotland</b>	83,000	84,000	3.2	3.2
<b>GB</b>	1,050,000	1,037,000	3.5	3.4

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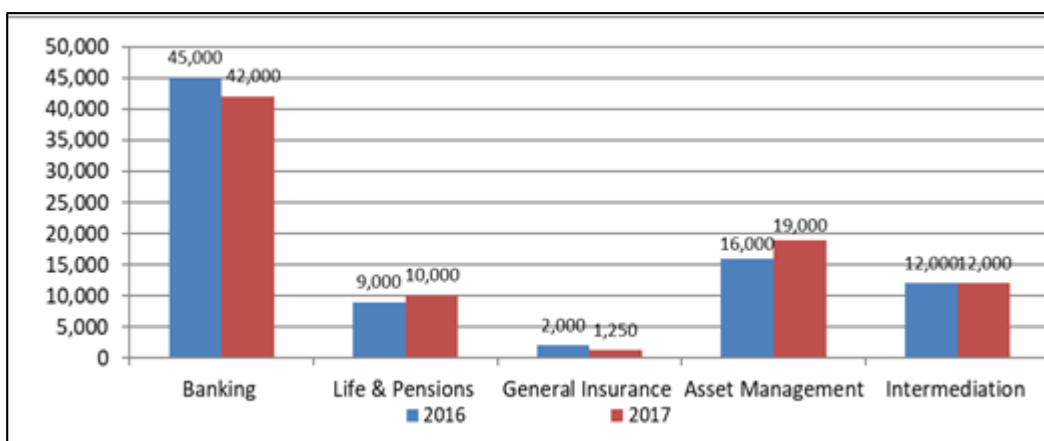
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Financial Services Employment in Scotland by Sub-Sector:

	2016	2017
Banking	48000	42000
Life and Pensions	9000	10000
General Insurance	2000	1250
Asset Management	16000	19000
Intermediation	12000	12000

Overall, Scotland's share of GB Financial Services employment was 8.1 per cent in 2017. This represents a small decrease from 7.9 per cent in 2016. The Life and Pensions sub-sector is particularly strong in Scotland, accounting for 27.8 per cent of total employment in this sub-sector in Great Britain as a whole.

### Financial Services Employment. Share of GB Total by Sub-sector



Source: Business Register and Employment Survey, 2016

### Firms in Scotland

Institutions **headquartered in other parts of the UK** have substantial operations and customers in Scotland - for example Barclays, HSBC and Santander. In recent years **new entrants** to the UK banking sector, such as Tesco Bank, Virgin Money and Sainsbury's Bank, have all established a significant operational and headquarter presence in Scotland.

- **Asset management and servicing** - Six of the top ten asset servicing firms (in terms of worldwide assets under custody and administration) have operations in Scotland, including BNY Mellon, JP Morgan and State Street. Standard Life Aberdeen (SLA), AEGON Asset Management UK, Alliance Trust, Baillie Gifford and Co, First State Investments, and Scottish Widows Investment Partnership all have a significant presence in Scotland.
- Scottish Financial Enterprise estimate that the value of funds under management in Scotland is around £800 billion.

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- **Life and pensions** - Over 26% of GB employment in the life and pensions sector is located in Scotland in firms including Standard Life Aberdeen, Scottish Widows, Aviva and Royal London.
- **General insurance** - a mature market with a long-established reputation and wealth of experience. A number of firms that provide services across the UK have operations located here, including Esure and Direct Line.

**Contact: [REDACTED], ext. [REDACTED], mob. [REDACTED]**

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Annex G

## FINTECH IN SCOTLAND

- Programme for Government confirmed SG commitment to provide funding to establish new body to support Scottish FinTech sector – FinTech Scotland.
- Funding for FinTech Scotland will include contributions from Scottish Government and Scottish Enterprise totalling £250,000 over the two years (2017-19).

### Scottish Government committed to development of Scotland's Fintech sector

- Funding for FinTech Scotland will include contributions from Scottish Government and Scottish Enterprise totalling **£250,000 over the two years 2017-19**
- Scottish Government, Scottish Enterprise and University of Edinburgh jointly funded production of a business plan to clearly establish the work required to develop Scotland as a FinTech centre and to identify the funding requirements to support that programme.
- FinTech Scotland is now established and taking forward actions to support the FinTech sector in Scotland.
- **Stephen Ingledeu**, took up the post as CEO of FinTech Scotland in January 2018 following a recruitment process led by Scottish Enterprise.
- **David Ferguson**, of Nucleus Financial, inaugural Chair of the FinTech Scotland Board. Ferguson was appointed by The Treasury in December 2016 as one of two regional fintech envoys (alongside **Louise Smith** of RBS) for Scotland with a remit for building regional and national networks which seek to ensure a greater level of co-ordination and collaboration between fintech companies, government, investors and regional fintech hubs.

### FinTech Scotland will work to support Scotland's growing Fintech sector

- FinTech Scotland's ambitious vision and strategy to make Scotland a top five global fintech centre by 2020 that is recognised for data driven fintech innovation delivering positive social outcomes.
- FinTech Scotland aims to encourage data driven innovation and collaboration activity across Scotland to deliver inclusive growth and achieve critical mass in the sector by:
  - Facilitating an integrated and innovative fintech ecosystem across Scotland, building on established centers of financial and data expertise including Edinburgh, Glasgow and Dundee.
  - Supporting innovative and entrepreneurial purpose driven fintech enterprises
  - Encouraging development of fintech skills, diversity and inclusion
  - Developing fintech community engagement, inclusion and collaboration
  - Building international fintech engagement and collaboration

### FinTech Scotland working with Strategic Partners

- FinTech Scotland has announced partnerships with global enterprises who have a strong presence in Scotland as well as being significant international leaders in their fields. The strategic partners will have a place on FinTech Scotland's board:
  - **Deloitte**
  - **Pinsent Masons**
  - **Dentsu Aegis Network**
  - **Sopra Steria**

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- IBM
- Equifax
- On confirming the strategic partners, Stephen Ingledew said, *“It is a privilege to be working with such world-renowned organisations who are committed to supporting Scotland’s fintech economy. Following many conversations with a range of large firms over recent months, these strategic partners demonstrated their commitment and market leadership which will support our aspirations and plans.”*

### **Scotland internationally recognised as centre for Fintech**

- In April 2017 the Global FinTech Hub Federation (GFHF) ranked Edinburgh as joint 15<sup>th</sup> in a review of 44 international centres.
- FinTech Scotland’s stated aim is to see Scotland recognised as a top five centre by 2020.

### **Scotland has an established critical mass in both financial services and software/technology**

- The financial services sector in Scotland employs over 84,000 people directly
- The technology industry employs more than 70,000 people in Scotland.
- Scotland has a software and digital technology cluster made up of 1,000+ companies from innovative home-grown companies such as Skyscanner, FanDuel and Wolfson Microelectronics to large multinationals such as Oracle, HP, Amazon and IBM.
- Global companies with specific financial technology operations in Scotland include: RBS, JP Morgan, HSBC, Morgan Stanley, Avaloq and Standard Life. FinTech “start-ups” include TopQ, MiiCard, and Money Dashboard.
- January 2018 – announcement that London based company Previser will create 37 data science jobs in Glasgow following an £800,000 grant from Scottish Enterprise to develop artificial intelligence technology to address the problem of late payments for small firms.

### **Academic expertise and graduate pipeline in technology and financial services**

- In 2017-18 there were 66,525 students studying ‘Business & Administrative Studies’, ‘Computer Science’ or ‘Engineering & Technology’ at Higher Education Institutions in Scotland, with 23,245 graduating in that year.
- Across Scotland there are a number of specialised Finance, Banking and Risk Management courses available. 9 Universities in Scotland provide more than 50 specialist University Finance Courses (mostly at postgraduate level). The University of Strathclyde now offers a dedicated Masters degree in FinTech, with University of Stirling offering a Masters degree in Big Data.
- At least 10 Universities in Scotland offer Computer Science degrees. Scotland also has significant expertise in the area of cyber security.

### **Scottish Enterprise is supporting the establishment of FinTech Scotland**

SE has played a fundamental and pivotal role in the co-ordination and facilitation of industry, academia and government to successfully develop an industry-led Action Plan and Business Plan for Fintech Scotland.

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**Next Steps**

- FinTech Scotland developing strategy for next stage of operation from 2020
- Developing operational and funding model, retaining emphasis on cross-sector collaboration.

**[REDACTED], Financial Services & Fintech Policy, ext [REDACTED]**

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## Annex H

### SCOTTISH NATIONAL INVESTMENT BANK

- The Bank has potential to transform Scotland's economy, providing patient & growth capital for business and important infrastructure projects to catalyse private sector investment
- The Bank will be a cornerstone institution in Scotland's financial landscape.
- The Scottish National Investment Bank Bill was introduced to the Scottish Parliament in late February 2019.
- In July 2019 The Scottish Parliament Economy, Energy and Fair Work Committee issued its report on its scrutiny of the Bill
- Members of the Economy, Energy and Fair Work Committee approved the general principles of the SNIB Bill, paving the way for the bank, at its first stage.
- The Bill underpins the establishment and capitalisation of the Bank and places a duty on Scottish Ministers to establish the Bank as a public limited company. Ministers will also be given the power to set the strategic direction of the Bank by the setting of Missions that will address socio-economic challenges.
- The advert for the Chair of the Board of the Bank went live on the Public Appointments website on 12 July.
- The Scottish Government is working with key internal and external partners to define the missions for the Bank.
- The Bank will be investing in businesses and communities across Scotland from 2020.
- The Scottish Government has committed to providing £2 billion over 10 years to capitalise the Bank. This is both ambitious and achievable.
- The Scottish Government is committed to ensuring that the way the Bank operates – its culture, governance, and approach to businesses and individuals – will define it as an ethical, inclusive and trusted institution

#### Scottish Growth Scheme

- We are unlocking up to £500 million of investment for ambitious SMEs to grow and export through the Scottish Growth Scheme, fostering a broader range of growth and export-oriented SMEs.
- As at 30 June 2019, 175 companies have received £126.8m under the Scottish Growth Scheme.
- The Scottish Growth Scheme is boosting access to finance through a range of funding options microfinance (up to £25k); debt (£25-100k, and £250k-£2m); and equity (up to £2m, and £2m-£10m).
- In addition, Scottish Enterprise now introduced the Scotland wide 'Scottish Loan Scheme' under the Scottish Growth Scheme. Loans are in the range from £250k to £2m (exceptionally up to £5 million), for growth focused SMEs.
- Companies wishing to access this funding should contact the relevant Fund Manager, or Scottish Enterprise direct.

#### Building Scotland Fund

- The Building Scotland Fund will provide £150 million to support the development of housing across all tenures, modern industrial and commercial property, and business-led R&D projects over three years to 2021.



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- We are working with Scottish Enterprise, Highlands and Islands Enterprise, Scottish Funding Council, Scottish Government More Homes Division and the Scottish Futures Trust. The Fund has just completed its first year setting up eligibility criteria, governance and delivery arrangements and has now allocated £94 million to a range of projects.

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Annex I

## INCOME TAX

**ISSUE:** Outturn data for 2017-18, published in July, showed a significant fall from forecast to outturn revenue, which was accompanied by a slightly smaller fall in the Block Grant adjustment. This resulted in £204 million negative reconciliation which will be applied to the 2020-21 Scottish Budget.

**NOTE:** Income tax bands, public sector and ministerial salaries at Annexes A-C

### Top Lines

- Our decisions on taxation have resulted in a more progressive tax system, protecting lower and middle income taxpayers, while raising additional revenue to invest in public services and Scotland's economy.
- *Had we not made any policy changes, and followed Tory income tax policy, our own analysis shows there would be £500 million less to spend in 2019-20.*
- 99% of all Scottish income tax payers (those earning up to around £124,000) will pay less tax this year than they did in 2018-19,
  - for a given income, and as a result of our progressive income tax policy, 55% of Scottish income tax payers (earning up to around £26,990) will pay less income tax than people earning the same and living in the rest of the UK.
- The size of the predicted budget adjustments show the current powers to deal with this volatility are too limited and that Scotland needs greater powers to manage its own funds between budget years.
- The latest income tax forecasts made by the Scottish Fiscal Commission (SFC) in May are higher for every future year than those made at the time of the Budget, an increase of £490 million across the forecasting period (2018-19 - 2023-24).
- The improvement in the forecast is thanks to Scotland's strong labour market performance, with unemployment at a record low and the outlook for earnings growth improving.
- The SFC's Summer report notes that reconciliations can be due to differences between their and the OBR's forecast methodologies, and that a run of negative reconciliations may be followed by a run of positive reconciliations.

### HM Treasury claim that they are providing an increase in Block Grant funding of £737 million to counter the fall in income tax outturn. This is misleading

- It is wrong to call this a shortfall in Scottish revenues. As the SFC has made clear, the income tax reconciliations relate to its forecast errors and those of the Office for Budget Responsibility.
- It is a normal part of operation of the Fiscal Framework that differences between forecast and outturn are reconciled once outturn figures are published.
- Outturn figures for 2017-18 were lower than forecast for both the Block Grant Adjustment and Scottish revenues.
- It is wrong to say that the UK Government will increase funding by £737 million. This was money that shouldn't have been taken from Scotland in the first place. They will instead reduce the block grant by £204 million.
- Sir David Norgrove, Chair of the UK Statistics Authority agreed that HM Treasury (and Liz Truss') publications linking the scale of reconciliation to slower Scottish economic growth was "incorrect".

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#### **Scottish ministers are responsible for deciding how to respond to this reconciliation.**

- The Cabinet Secretary for Finance will make a decision as part of the budget and spending review process on how to manage any reconciliation in a fiscally responsible way that supports our vital public services.
- The volatility the current system places on Scotland's spending means the Fiscal Framework review must consider the current limits on the use of the reserve and borrowing powers, which are clearly not fit for purpose.

#### **Had we not made any policy changes and followed Tory income tax policy, our own analysis shows we would have over £500 million less to spend in 2019-20**

- Other independent forecasters, such as the Fraser of Allander Institute, have produced their own analysis which supports our claims:
- **QUOTE:** *"We estimate that the Scottish income tax policy raises approximately around £550 million in revenue compared to a policy to set the same tax parameters as in the UK."* (Fraser of Allander, 12 December)
- **QUOTE: IPPR Scotland (12 December):** *"The income tax rises proposed today are welcome news and will help to shield most departments from cuts this year."*

#### **The Institute for Fiscal Studies found Boris Johnson's leadership campaign tax plans would cost "many billions" and benefit the wealthy the most**

- The Institute for Fiscal Studies said his plans to raise the higher rate threshold to £80,000 would cost £9 billion and only benefit the wealthiest of taxpayers.
- Tom Waters, research economist at the Institute said:
- **QUOTE:** *"These are expensive pledges to cut tax [which] between them will cost many billions of pounds. It is not clear that spending such sums on tax cuts is compatible with both ending austerity in public spending and prudent management of the public finances."* (BBC News, 25 June)
- Tax policy should not be used as an incentive in a leadership contest
- This is a policy designed to benefit higher earners the most, a far cry from the our approach to make the system fairer and more progressive.

#### **The Scottish Tories used to support our policy of not following UK Government tax cuts to fund better public services**

- Speaking at her party conference in March 2016, Ruth Davidson said:
- **QUOTE:** *"Right here, right now, when spending limits are still tough, when public services like our NHS and our education system need support, I don't believe the time is right for a short term tax cut below that of the UK"*

### **SCOTTISH TAX POLICY**

#### **Our decisions on taxation have resulted in a more progressive tax system**

- For the majority of taxpayers, Scotland is the lowest taxed part of the UK
- Our tax decisions are forecast to raise an extra £68 million in 2019-20 to invest in public services, tackle poverty and support Scotland's economy.
- 99% of all Scottish income tax payers (those earning around £124,000) will pay less tax this year than they did in 2018-19, for a given income

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- 55% of Scottish income tax payers (earning up to around £26,990) pay less income tax than people earning the same and living in the rest of the UK
- We have chosen to freeze the higher rate threshold – which affects only the top 15% of taxpayers in Scotland
- Scottish taxpayers continue to have access to a wider and better-funded set of free-to-access public services than in the rest of UK.

#### **There are a number of polls that suggest support for our policy.**

- A Panelbase poll for The Sunday Times (June 2018) revealed that 52% of Scots would be willing to pay more in tax to better fund the NHS.
- That poll also found less than a third of people (29%) were opposed to tax rises.
- A YouGov poll for the Times (January 2018) found that more than half of Scots support income tax rises.
- When asked “Do you support the tax changes announced in the budget (2018-19)” the results were: Support: 54%; Oppose: 27%; Don't know: 19%.
- When asked “Do you think the tax changes are fair or unfair? The results were: Fair: 49%; Unfair: 30%; Don't know: 21%.

#### **The Scottish Fiscal Commission concluded that behavioural change from the “tax gap” is not going to lead to an overall loss in revenue**

- The Commission forecast at Budget time that our decision to freeze the higher rate threshold will still raise £68 million more for our public services.
- There are huge uncertainties when it comes to predicting taxpayers’ behavioural responses
- However, even under the most pessimistic assumptions our income tax policies would still raise additional revenues.
- I take the issue of behaviour effects very seriously and will continue to monitor this carefully, taking advice from my officials.
- We have asked the Council of Economic Advisers to consider any potential behaviour effects beyond the work they have done on the Top Rate of Tax.

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**ANNEX A – INCOME TAX RATES AND BANDS FOR 2019:**

Income in Range	Name	Rate
Above £12,500* – £14,549	Starter Rate	19%
Above £14,549 - £24,944	Scottish Basic Rate	20%
Above £24,944 - £43,430	Intermediate Rate	21%
Above £43,430 - £150,000**	Higher Rate	41%
Above £150,000** +	Top rate	46%

\*Assumes individuals are in receipt of the Standard UK Personal Allowance. \*\*Those earning more than £100,000 will see their Personal Allowance reduced by £1 for every £2 earned over £100,000.

- Scottish Rate Resolution motion agreed on 19 February 2019. Votes - For 61, Against 52, Abstentions 6.

**Forecast RECONCILIATIONS for income tax**

Income Tax year	2017-18	2018-19	2019-20
Applies to Budget year	2020-21	2021-22	2022-23
<b>Reconciliations Forecast</b>	<b>-£204m</b>	<b>-£608m</b>	<b>-£188m</b>

2017-18 is now confirmed – no longer a forecast

**Forecast of Income Tax Revenues, May 2019 and December 2018**

£ million		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
<b>Income Tax revenue</b>	May 19	11,005	11,486	11,703	12,332	12,831	13,374	13,985	14,613
	Dec 18	11,008	11,452	11,684	12,285	12,746	13,242	13,805	N/A
	<b>Change</b>	<b>-3</b>	<b>34</b>	<b>20</b>	<b>47</b>	<b>84</b>	<b>132</b>	<b>180</b>	<b>N/A</b>

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## **ANNEX B: PUBLIC SECTOR POSTS AFTER INCOME TAX CHANGES**

- In Scotland's public sector we see many examples where our staff are paid more than their counterparts in England
- As an illustration, thanks to our pay policy and tax plans we expect:
- A porter at top of AFC Band 2 to be over £800 better off in Scotland
- A radiographer at the bottom of AFC Band 5 to be over £380 better off in Scotland
- A new start police officer to be over £4,543 better off\* (\* compares lowest starting scale, many in England start at a higher pay point.)
- A staff nurse at top of AFC Band 5 to be over £460 better off in Scotland
- A police constable at the top of their scale to be over £1,200 better off in Scotland

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**ANNEX C: MINISTERIAL SALARIES AFTER INCOME TAX CHANGES**

SCOTTISH INCOME TAX CHANGES: 2018-19 AND 2019-20

	Salary	Income Tax 2018-19	Income Tax 2019- 20	Change in tax
<b>MSP</b>	£62,149	£14,165	£14,025	-£140
<b>Minister</b>	£91,407	£26,161	£26,021	-£140
<b>Cab Sec</b>	£108,854	£35,129	£34,989	-£140
<b>PO</b>	£108,854	£35,129	£34,989	-£140
<b>FM*</b>	£152,179	£56,045	£56,171	£127

\* The Personal Allowance is reduced by £1 for every £2 earned over £100,000, therefore the Personal Allowance is not relevant to salaries of £150,000 and above.

INCOME TAX 2019-20: SCOTLAND AND rUK

	Salary	Income Tax Scotland	Income Tax rUK	Difference
<b>MSP</b>	£62,149	£14,025	£12,360	-£1,666
<b>Minister</b>	£91,407	£26,021	£24,063	-£1,958
<b>Cab Sec</b>	£108,854	£34,989	£32,812	-£2,177
<b>PO</b>	£108,854	£34,989	£32,812	-£2,177
<b>FM</b>	£152,179	£56,162	£53,472	-£2,691

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Annex J

## BREXIT

### Business Brexit Readiness

- It's critical that Scottish businesses continue to assess and plan for the challenges of Brexit and our **"Prepare for Brexit" campaign** will help them build economic resilience against potentially significant changes. **Businesses can access advice, online self-assessment toolkits, book onto learning events and apply for £4K readiness preparations grants.**
- On 13 March First Minister announced expanded criteria for these £4K grants to support businesses of all sizes and especially SMEs - least likely to have a Brexit response plan in place.
- Scottish Enterprise has set aside £0.5m in 2018/19 and £1.5m in 2019/20 to fund the grants.
- Practical advice and support being is being offered through our enterprise and skills agencies - Scottish Enterprise, Highlands and Islands Enterprise, and Skills Development Scotland.

### Scottish Government Position

- Scotland said no to Brexit in 2016. As the EU Parliament election results of 26 May make clear, we meant it.
- We believe that a further extension of Article 50 should be negotiated with the EU to enable a second EU referendum to take place, including the option to remain. It is clear now that too much time has been wasted and there is not enough remaining for that referendum to happen before the end of October.
- The First Minister wrote to the new Prime Minister on 25 July expressing our concern that he has not ruled out leaving the European Union without a deal on 31 October.
- The Prime Minister's recent statements make clear that he does not exclude this outcome. The Scottish Government is absolutely clear - and the Scottish Parliament made clear in March - that a no deal exit should be avoided at all costs, and we will work with anyone who shares our view that this must be prevented.
- It is Parliament that now stands between the Prime Minister and that most unthinkable of outcomes, MPs and citizens of all persuasions should be alarmed by any suggestion that it will be closed down by this Prime Minister.
- The people of Scotland have repeatedly, and emphatically rejected these outcomes and the case for Scottish independence is therefore growing stronger by the day.
- As the First Minister announced to the Scottish Parliament on 24 April, and Mike Russell detailed in his statement on 29 May, the Scottish Government has introduced framework legislation for an independence referendum.
- Given that the Scottish Government committed to holding a vote within the life of this Parliament, the right time for this would be in the second half of 2020.
- Mike Russell has also announced plans for cross-party discussions, and a Citizens' Assembly to deliberate on Scotland's future.



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- Through their electoral choices, the people of Scotland have offered us the chance of a fresh start in, and with Europe - we should grasp the chance with both hands.

#### **No Deal / EU exit readiness top lines**

##### **As a responsible government we must prepare for all exit possibilities**

- A 'no deal' is utterly unacceptable and anyone seriously proposing it, or unconcerned about it arising, needs to change course immediately.
- The reality is the UK is not, and cannot be, ready for a 'no deal' EU exit on October 31st – such an outcome would inevitably cause very significant disruption to the lives of ordinary citizens as well as to businesses and long-term harm to our economy.
- We are continuing to press the UK Government to ensure this is avoided by taking no deal off the table. At the same time, as a responsible government we will continue to do everything we can to prepare, though it will not be possible to mitigate all the impacts of leaving the EU without a deal.
- Within the currently fluid and uncertain situation surrounding EU exit, The Scottish Government remains convinced that the best future for Scotland is the one 62% of voters chose - to remain in the European Union. We have also consistently offered a compromise option - continued membership of the European Single Market and Customs Union.

#### **EU exit – financial implications**

- EU Exit was not Scotland's choice and the Scottish Government has been clear that any costs relating to EU exit must not be allowed to have a detrimental impact on Scotland's public finances.
- It is clear Brexit is going to cost Scotland at every level of governance, in every sector and in every part of the country far more than any consequential we receive.
- The UK Government should rule out the prospect of leaving the EU without a deal, and they should do so immediately so that money allocated for Brexit preparations can be better spent on public services and helping people meet rising living costs.
- The Scottish Government will make every possible preparation for 'no deal' as long as it remains a threat, but it will not be possible to mitigate every single impact – and the UK Government must be open about that.
- The UK Government has yet to provide any clarity on future arrangements for EU funding. Proposals on agriculture, fisheries and structural funding are vague and provide no certainty for the future. The position on the proposed Shared Prosperity Fund is particularly concerning, with no sign of the consultation that was promised in Autumn of last year, or any meaningful engagement with the Devolved Administrations on this matter.

#### **Scottish Government analysis suggested some stark and significant impacts for Scotland under 'no deal':**

- **GDP:** Scotland could enter recession in 2019. By the end of 2019 there is the potential for GDP to have contracted by between 2.5%-7%.

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- **Unemployment:** could increase from a rate of around 4% at present to 7.9% by mid-2020. This is equivalent to around an additional 100,000 out of work.
- **Exports:** could fall 10% to 20%.

### The former Prime Minister's 'deal'

- The previous Prime Minister's 'deal', set out in the Withdrawal Agreement and Political Declaration, was decisively rejected by the UK Parliament, the Scottish Parliament and the Welsh Assembly.
- The 'deal' would have taken the people of Scotland out of the EU against their will, while delaying all the difficult decisions and giving no clear idea of future UK and EU relations – it would have delivered an unacceptable 'blindfold' Brexit, followed by years of uncertainty as difficult negotiations continued with no guarantee that a trade deal could even be agreed at the end of the process.
- It would have made Scotland poorer; removed us from the Single Market – eight times the size of the UK alone; and placed Scotland at a potentially serious competitive disadvantage compared with Northern Ireland.
- Combined with the UK Government's hostile immigration policy, the deal would likely have led to a fall in Scotland's working, tax-paying population.

### Scotland's Voice

- Since the EU Referendum, the Scottish Government has sought to engage meaningfully with the UK Government on the terms of the UK's departure from the EU.
- For more than two years now the Scottish Government has also put forward a compromise of Single Market and Customs Union membership, if it was not possible to remain as a full EU member.
- Despite our repeated efforts to discuss compromise alternatives for the UK as a whole or, failing that, for Scotland, our proposals have been ignored by the UK Government.
- The side-lining of Scotland throughout the Brexit process demonstrates beyond doubt that Scotland is not treated as an equal partner in the UK.
- We will though continue to attend intergovernmental meetings with UK, Wales and hopefully Northern Ireland counterparts.
- We have a role in helping to improve the structures under which we presently live and work, but there must be a new – meaningful – respect for our position and for the responsibilities which are ours as of right.
- There needs to be a clear and urgent timetable for the current inter-governmental review, which must secure a legal underpinning to the relationship.
- The UK Government must commit to respecting the legislative consent mechanism rather than ignoring it.
- The chaos over Brexit demonstrates the cost to Scotland when decisions about our future are taken at Westminster instead of in Scotland.

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- The risk of serious damage to Scotland's interests has only been magnified by the current Conservative Party leadership contest, demonstrating more clearly than ever the case for Scotland becoming an independent country.
- The First Minister told Parliament on 24 April 2019 that if Brexit takes place, the people of Scotland must be given the choice between leaving the EU with the UK, or being an independent European nation.
- In line with the Government's mandate, that should take place within the lifetime of this Parliament.
- In his statement to Parliament of 29 May, Mike Russell set out the Government's process to give the people of Scotland this choice, offering cross-party discussions and a Citizens' Assembly, as recently successfully practised in Ireland.

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### Annex K

### MAP OF LOCATION

