

MINISTERIAL ENGAGEMENT BRIEFING: DEREK MACKAY

Engagement title	Scottish Government business engagement dinner	
Engagement timings	Wednesday 6 November 2019 1900-1930 – pre-dinner networking with drinks 1930-2130 – 3 course dinner 2130 – departure	
Organisation	N/A – meeting initiated by Scottish Government	
Venue and full address	Mal Maison (Rubislaw Room), 49-53 Queen’s Road, Aberdeen	AB15 4YP
MACCS reference	N/A	
Background/Purpose (including invitation history)	<p>This is the third in a series of dinners with business leaders. This dinner is with senior business leaders based in Aberdeen</p> <p>The purpose of the dinner is to:</p> <ul style="list-style-type: none"> • Communicate Scottish Government’s vision for Scotland’s future economy and discuss how to achieve it, in partnership with businesses where possible; • Test and inform upcoming policy developments such as those in the refresh of the Economic Action Plan or Budget; and, • Understand the long term plans of the companies, strategic opportunities and challenges, and their views on economic context. 	
Relevance to core script	Scottish Government works to drive sustainable and inclusive economic growth, working in partnership with businesses. Scottish Government regularly engages with businesses to co-create economic policy.	
Meeting attendees	<p><u>Businesses</u></p> <ul style="list-style-type: none"> • Michelle Handford, Chief Executive of Aberdeen Harbour Board • Collette Cohen, CEO, Oil and Gas Technology Centre • Ryan Scatteredy, MD, Thistle Seafoods • Jonathan Tame, VP UK and Canada, Subsea 7 • Tricia Walker, Partner, Burness Paull LLP • Jennifer Crow, Chief Executive, Opportunity North East • Peter Bruce, CEO, Entier Ltd • Jeanette Forbes, CEO, PCL Group • Peter Reekie, Chief Executive, Scottish Futures Trust <p><u>Officials</u></p> <ul style="list-style-type: none"> • David Rennie, Head of Partnerships, Scottish Enterprise 	

	<ul style="list-style-type: none"> • Callum McCaig, Special Advisor, Scottish Government • Jon Pickstone, Deputy Director, Business Engagement and Regional Economic Development, Scottish Government
Supplementary information	<p>This is under the Chatham House Rule</p> <p>Sensitivities related to the City Region Deal and Regional Economic Partnership are included in the relevant annex.</p>
Twitter handles of main representatives and organisations	<p>Annex A: Programme and Steering Brief</p> <p>Annex B: Biographies and photos of business attendees</p> <p>Annex C: Logistical details, map and Google Street View of venue</p> <p>Annex D: Economic Statistics Dashboard</p> <p>Annex E: Economic Policy Dashboard</p> <p>Annex F: Aberdeen City Region Deal</p> <p>Annex G: Aberdeen City Regional Economic Partnership – Regional Economic Vision and Strategy</p>
Official support:	Jon Pickstone , [REDACTED]

PROGRAMME AND STEERING BRIEF

Format

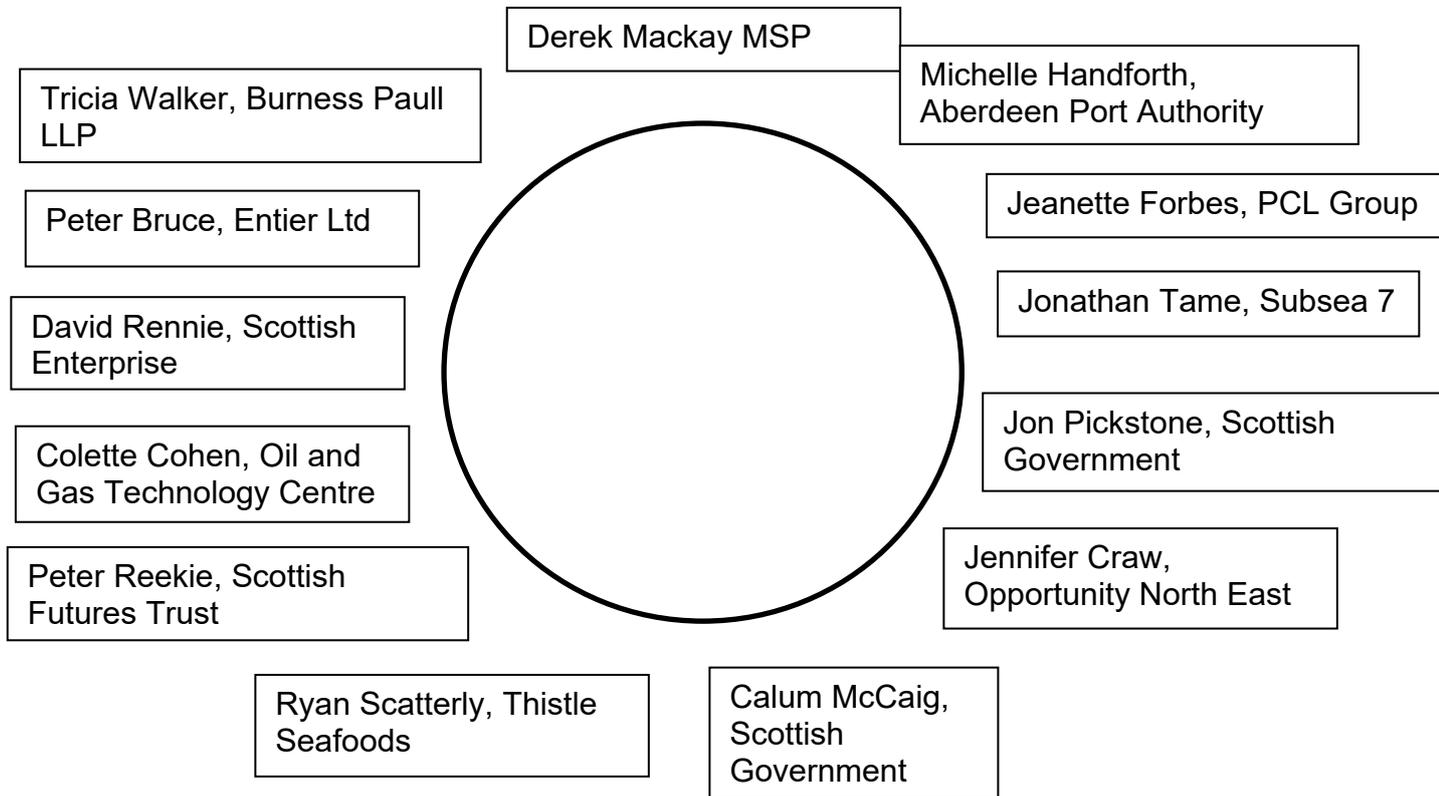
As we expect 13 attendees it should be possible to manage this as a roundtable discussion. You will be chairing/leading the meeting.

Steering brief

Timing	Item	Purpose and steering brief
1900-1930	Pre-dinner networking with drinks	This is an opportunity for guests to meet and circulate prior to sitting down for dinner.
First course	Understanding business opportunities and challenges	In order to help the attendees settle and ensure everyone gets a chance to speak early doors please ask <u>business attendees</u> to introduce themselves and to give a quick overview of their business operations in Scotland and the top strategic opportunities they face (as a business) in the coming years.
Second course	Vision and partnership	<p>Please describe your vision for sustainable, inclusive economic growth and ask for reflections</p> <p>Questions you may wish to pose to the group:</p> <ul style="list-style-type: none"> • How can Government best collaborate with businesses? • Where is your business in Brexit preparations given the election and continuing uncertainty? • Skills is one of the top issues businesses raise with Government – what is your experience of the skills system in Scotland? • I know many people around the table are closely involved in the City Region Deal – but I'd be interested to hear your experiences and views on the deal. • We are committed to get to net zero carbon emissions by 2045 – this will clearly have significant impacts across society and represents a big opportunity for Aberdeen in terms of energy transition. How might this impact your businesses? What can Government do to support the change, and maximise the opportunities?
Dessert and coffee	Policy developments	<p>You may wish to note that the UK election will of course delay Scottish Budget and your plans to refresh the Scottish Government's Economic Action Plan. Nonetheless you may wish to outline the Economic Action Plan and invite reflections.</p> <p>Questions you may wish to pose to the group:</p> <ul style="list-style-type: none"> • We talked about opportunities and ambitions, what are your key challenges as a business? • What one action would you want to see Scottish Government take to help growing business?
2115	Close	At around 2115 draw the dinner to a close.

		<p>You may wish to go around the table and ask <u>everyone</u> what they will take away from this meeting (either an action, contact or something to mull on). Please also contribute your thoughts on this.</p> <p>Please thank everyone for attending.</p>
2130	Departure	

Table plan



BIOGRAPHIES AND PHOTOS OF BUSINESS ATTENDEES

Michelle Handford, Chief Executive of Aberdeen Harbour Board

Michelle Handford joined Aberdeen Harbour Board as CEO in 2018. Aberdeen Harbour Board is currently embarking on a £350m expansion project. The expansion programme is the largest in Trust Port history and is a project of national strategic significance. Aberdeen Harbour Board is the UK's oldest continuous business, it was established in 1136 and is both a major Trust Port in the UK and one of the top 10 Energy Ports in the world with 40 international shipping connections.

Michelle has had an extensive leadership career in the Aviation, Rail and Financial Services sectors, both nationally and internationally. She has a BA(Hons) Law degree and was called to the Bar of England and Wales in 1986. She is a member of the Board of Opportunity North East and the British Ports Association.



Collette Cohen, Chief Executive Officer, Oil & Gas Technology Centre

Collette Cohen became Chief Executive Officer of the Oil & Gas Technology Centre in August 2016.

The Oil & Gas Technology Centre is a new industry-led organisation based in Aberdeen, backed by the UK and Scottish governments, and working closely with the local universities.

The centre has two goals: to help maximise economic recovery from the UK continental shelf and create a bright future for the northeast of Scotland as a global technology hub.

Collette was Senior Vice President for Centrica Energy's Exploration and Production business in the UK and The Netherlands until July 2016. Her career began with BP in 1991 and she has worked for companies including ConocoPhillips and Britannia in the North Sea, Norway, the US and Kazakhstan.

Collette is a chemistry graduate from Queens University Belfast and also holds a masters degree in Project Management and Economics. She is a member of the Society of Petroleum Engineers, the Institute of Directors and Chairs the National College for Onshore Oil and Gas



Ryan Scatterty, Managing Director of Thistle Seafoods



Ryan Scatterty is the Managing Director of Thistle Seafoods from a family that has been involved in seafood processing for five generations. Thistle is one of the largest value added seafood manufacturers in Europe employing in the region of 500 employees at its world class facility located in Boddam just south of Peterhead, the largest whitefish port in Europe. Thistle supplies some of the largest retailers and foodservices companies not only in the UK but throughout the world and with a growing export business, is well placed to continue to grow and provide innovative seafood solutions to not only today's consumers but the consumers of tomorrow too.

Ryan is a member of the Chartered Institute of Management Accountants starting his career in the oil industry initially with an operator in Aberdeen before moving to Halliburton a leading global oilfield service company that involved a number of overseas assignments post qualification, the highlight being a 4 year stint in Dubai before returning to the North East and joining the family business and working closely with his father and mentor before assuming the role of Managing Director in 2013.

Jonathan Tame, Vice President UK and Canada, Subsea 7

Jonathan is currently Vice President UK and Canada at Subsea 7, having worked in the offshore and subsea construction industry for over 30 years.

He holds a degree in Naval Architecture and Shipbuilding, is a fellow of the Royal Institution of Naval Architects and is a fellow of the Institute of Marine Engineering, Science & Technology. His career started with Brown and Root Vickers Ltd as a graduate naval architect. He then moved into offshore construction and spent 14 years with European Marine Contractors Ltd, working as an engineer and project manager on pipeline projects worldwide, living in the UK, China, USA and Canada. In 2002 he moved to Halliburton Subsea, which soon after became Subsea 7. Jonathan has held a variety of senior roles at Subsea 7 in operations, commercial, fleet and crew management. He is a member of the board of the International Marine Contractors Association (IMCA).



Tricia Walker, Partner, Burness Paul LLP

Tricia Walker is a partner in the employment law team at Burness Paul solicitors. Tricia is the principal contact for advising a number of large oil & gas industry players in Aberdeen. She regularly advises on workplace disputes; however her varied caseload also includes Employment Tribunal appearance work, providing bespoke training to clients, drafting and reviewing contractual documentation, advising and assisting in handling dismissals/redundancies, etc.



Jennifer Crow, Chief Executive, Opportunity North East

Jennifer Crow is Chief Executive and a Board Director of Opportunity North East (ONE), the private sector economic leadership body for North East Scotland. Established by industry to strengthen and diversify the region's economy, ONE's strategic priorities are to anchor the international energy supply chain in the region for the long term and establish a leading position in energy transition; achieve growth in the other key industry sectors of food, drink and agriculture, life sciences and tourism; and develop opportunities in the digital economy and entrepreneurial environment. ONE's work is supported with a 10-year funding commitment of £62 million from The Wood Foundation and its co-funding approach to transformational projects aims to leverage maximum investment and impact for the regional economy.



Peter Bruce, CEO, Entier Ltd

In 2008 Peter left Compass Group along with two other colleagues to set up Entier Ltd. The company was founded on the belief that there was a place in the market for a local company which focused on quality and offer something different from the three main industry competitors. In just six years of business Entier gone from a turnover of Zero to over £50m in 2017.

Peter takes a great interest in developing people who have the enthusiasm, passion and attitude to want to be



a success. The greatest achievement for Peter was his vision of “Fresh Olives” which is a Chefs Apprentice Award programme aimed at 15-16 year old school leavers. He believes passionately about investing in the local community and sits on several local committees including the resurgence of Glen Craft, a member of the JDRF Scottish Development Group, a supporter Macmillan Cancer Support and a Director of Fraserburgh Football Club.

Jeanette Forbes, CEO, PCL Group

Jeanette Forbes is a qualified systems engineer who established PCL Group in March 2000 after she was made redundant during a downturn in the oil and gas industry.

Since then she has seen the company grow year on year to provide total technology provision and support including cabling services to five main industry sectors – offshore, marine, commercial, industrial and renewables – establishing respect along the way for the quality of product delivery and high level of service provision, 24hrs a day, 7 days a week, 365 days a year.



LOGISTICAL DETAILS, MAP AND GOOGLE STREET VIEW OF VENUE

Logistical detail

On arrival please ask for the Scottish Government dinner. The dinner will take place in the Rubislaw Room

Maps

Map

Google Street View of Venue



ECONOMIC STATISTICS DASHBOARD

Gross Domestic Product

- **Latest Quarter:** In 2019 Quarter 2, Scottish GDP contracted by 0.2% compared to the previous quarter and grew 0.6% over the year.
- **Previous Quarter:** In 2019 Quarter 1 Scottish GDP grew by 0.5%.
- **UK GDP** contracted by 0.2% in 2019 Quarter 2 and grew 1.3% over the year.
- In 2018, the **cash value of GDP** in Scotland was £180.4 billion (including offshore oil and gas). This is 8.4% of total UK GDP.
- In 2018, the value of **GDP per head** in Scotland was £33,200 (inc. oil and gas), above the UK average value of £32,200.

Labour Productivity

- **Latest Quarter:** In 2019 Quarter 1, productivity growth in Scotland was 0.4%, following growth of 0.2% in Q4 2018.
- **Latest Year:** In the year up to Q1 2019, productivity in Scotland grew 1.1%, compared to zero growth in the UK as a whole.
- **Longer term:** Between 2007 and 2018 productivity in Scotland has grown at an average annual rate of 1.0% per year, compared to the UK average of 0.3% over that period.

Retail Sales

- **Latest Quarter:** In 2019 Quarter 3, the quantity of retail sales in Scotland increased by 0.4% compared to the previous quarter.
- **Previous Quarter:** In 2019 Quarter 2, retail sales increased by 0.8%.
- Retail sales in Great Britain as a whole increased by 0.6% in 2019 Quarter 3, following an increase of 0.6% in the previous quarter.

Business and Innovation

- **Registered Businesses:** The number of registered businesses in Scotland has grown by 16.6% since 2007 to 176,295 in 2018.
- **FDI Projects:** 94 foreign direct investment projects in Scotland in 2018 – a 19% decrease increase from 2017 (UK decrease of 12.5%). Scotland has maintained its position as the top UK region, outside London, since 2014.
- **Business Enterprise R&D (BERD) spend:** In 2017, BERD spend in Scotland was £1.25 billion – the highest level in the series back to 2001 – and rose 13.9% in real terms on 2016 (UK rose 2.9%).
- **Business R&D jobs:** Businesses employed 13,000 R&D staff in Scotland in 2017 – up from 7,000 R&D staff in 2007.
- **Higher Education R&D (HERD) spend:** In 2017, HERD spend in Scotland increased 2.9% with HERD spend as a share of GDP above the UK. Over the longer term HERD spend has increased 20.2% since 2007 (UK: 17.4%).

Labour Market

- In Jun to Aug 2019 there were 2,636,000 people in **employment** in Scotland. Scotland's employment rate was 74.3%, lower than the quarter before (75.8%, Mar-May 19), and lower than the UK rate of 75.9%.
- The **unemployment** rate was 4.1%, higher than the quarter before (3.3%), and above the UK rate of 3.9%.
- For **women**, Scotland's unemployment rate was lower than the UK rate (3.6% vs 3.7%) with Scotland's women's employment rate also lower than the UK (71.1% vs 71.6%).
- For **young people (16-24 years)** the employment rate was 58.5%, higher than a year earlier and higher than the UK rate of 54.7%.
- Scotland's **youth unemployment rate** at 9.7% is lower than the UK rate of 13.0%.

Exports

- **International Exports of Goods and Services:** In 2017, Scotland's international exports (excluding oil and gas) were worth £32.4 billion. Of this total, £14.9 billion were exports to the EU and £17.6 billion were exports to non-EU countries.
- The USA is Scotland's top international export destination country for goods and services (£5.5 billion).
- **Exports of Goods and Services to the rest of the UK:** In 2017, Scotland's exports to the rest of the UK were worth £48.9 billion. This was a £2.2 billion (4.6%) increase on the previous year.
- **International Exports of Goods:** More recent HMRC regional trade figures showed Scotland's goods exports increased by 14.5% in the year ending June 2019 to £34.0 billion. This was higher than the overall UK rate (3.3%) and the highest of any UK nation. These figures are for goods only but do include exports of oil and gas.

Tourism

- There were 15.3 million overnight visits to Scotland in 2018: a 3 per cent increase on the year before. Over 3.5 million were overseas visitors.
- Expenditure by overnight visitors was almost £5 billion in 2018 [down 6 per cent on the previous year]. Overseas visitors spent £2.2 billion.
- In 2017, spending by overnight tourists and day visitors in Scotland was around £11.3 billion. This generated around £14 billion of economic activity in the wider Scottish economy and contributed around £8 billion to Scottish GDP.
- There are over 14,000 tourism businesses in Scotland (1 in 12 registered businesses).
- Tourism employed 206,000 people in Scotland in 2017: around 8% of the workforce (1 in 12 jobs). Employment has increased by 12% (20,000 jobs) since 2011.

OCEA 30 October 2019

ECONOMY POLICY DASHBOARD

Economic Strategy

- Published in 2015, Scotland's Economic Strategy is still fit for purpose and enables the Scottish Government to respond to the challenges of today.
- The twin pillars of boosting competitiveness whilst tackling inequality remain core to the economic approach.
- The Scottish Government are supporting businesses and continuing to grow Scotland's economy by focusing on investment, internationalisation, innovation and inclusive growth. Across each area, Scotland has made significant achievements:
 - **Investment:** Scotland secured more FDI projects than any other part of the UK outside London.
 - **Internationalisation:** Our annual international goods exports (including oil and gas) have increased by 14.5% last year.
 - **Innovation:** Business Enterprise Research and Development (BERD) spend in Scotland in 2017 was £1.247 billion, the highest level in the series back to 2001, and up 93.3% in real terms since 2007.
 - **Inclusive growth:** Scotland remains the best performing of all four UK countries with the highest proportion of employees paid the Living Wage or more - at 80.6%.
- However, key economic powers remain reserved to the UK Government, including National Minimum Wage, Employers' National Insurance and borrowing powers.

Inclusive Growth

- Scotland performs well in a number of indicators used to measure inclusive growth:
 - Scotland's employment rate for women is 71.1%, unchanged over the year.
 - Scotland outperforms the UK on employment (58.5% vs 54.7%) unemployment (9.7% vs 13.0%), and inactivity (35.2% vs 37.1%) for young people.
 - Scotland remains the best performing of all four UK countries with the highest proportion of employees paid the Living Wage or more - at 80.6%.
- Despite this strong performance, there are still opportunities for improvement:
 - Income inequality as measured by Gini coefficient and Palma ratio has been fluctuating over the last two decades and appears now to be rising after a lower period in 2012-2015.
 - And the equality act disabled employment rate in Scotland is 45.6% compared with 81.1% for those who are not equality act disabled.
- This is why the Scottish Government is working with partners to address these inequalities and deliver inclusive growth across Scotland's people and places via:
 - The **Tackling Child Poverty Delivery Plan** which sets out the first steps towards achieving the Scottish Government's ambitions of ending child poverty.
 - Increasing **Modern Apprenticeship (including Graduate Apprenticeship)** new starts to 30,000 by financial year 2020/21.
 - Through the **Scottish Attainment Challenge**, by providing £750 million during the course of this parliamentary term to tackle the poverty related attainment gap.
 - We are delivering 600 hours of funded high-quality early learning childcare for all 3 and 4 year olds and eligible 2 year olds, and Local Authorities have already started phasing in the expanded funded early learning childcare which has a statutory entitlement of 1140 hrs by August 2020.
 - Reforming our system of enterprise and skills support through the business-led Enterprise and Skills Strategic Board, ensuring that we maximise the return for our £2.4bn p.a spend in this area. The board published its Strategic Plan on 17 October, setting out 14 actions for enterprise and skills agencies and 18 recommendations to Government to drive greater productivity and inclusive growth through the E&S system in all parts of Scotland.

Economic Action Plan

- The Economic Action Plan will be relaunched in the Autumn to reflect progress in implementing measures and to reflect new commitments included in this year's PfG. Its aim is to help build a strong, vibrant and diverse economy that promotes wellbeing and attracts investment.
- It is designed to support a competitive business environment, investing in a highly skilled workforce and nurturing the economy of the future.
- The actions in this plan will put Scotland at the forefront in transitioning to a carbon neutral, circular economy.

Enterprise and Skills Strategic Board

- Created in November 2017 in response to the Enterprise and Skills Review. Its objective is to align and co-ordinate the activities of Scotland's enterprise and skills agencies: Scottish Enterprise, Highlands and Islands Enterprise, Skills Development, the Scottish Funding Council and the new South of Scotland Enterprise Agency
- Working with the agencies and SG to implement its Strategic Plan, published 17 October 2018 - 14 actions for agencies, 18 recommendations to SG to drive greater productivity and inclusive growth.
- Currently focused on building support for the Strategic Plan with industry, evaluating the role of Industry Leadership Groups, and working with SG to examine the innovation landscape and the return on investment for interventions in this area.

Enterprise and Skills Agencies

Scottish Enterprise

- Lord Robert Smith of Kelvin was appointed chair of Scottish Enterprise on 2 August 2019.
- SE worked with Barclays to support the development of a new campus at Buchanan Wharf in Glasgow. This will provide a state-of-the-art centre for the bank's functions, technology and operations teams. Expected to accommodate up to 2,500 additional jobs, of which more than 300 will be for disadvantaged workers or those with a disability.
- SE's budget allocation for 2019-20 is £244.36m. This comprises of £133.82m resource, £42.04m capital and £68.50m financial transactions.
- The budget is in line with planned expenditure set out in SE's business plan and will allow them to provide practical support and opportunities for businesses growth and invest in support business growth, strengthen communities, support growth sectors and develop regional attractiveness.

Highlands and Islands Enterprise (inc Rural Economy Portfolio)

- officer.
- Operating across half of Scotland, HIE employs a dispersed workforce of c300 staff from Shetland in the north to Argyll in the south.
- HIE is part-funding the £17.3m UK Vertical Launch (UKVL) project in Sutherland to deliver a UK based vertical launch spaceport. The UK's aim is to have the first spaceport across Europe capable of launching small satellites into polar orbit. Total funding £17.3m includes £2.5m from UK Space Agency (UKSA), £9.8m from HIE.
- HIE's cash budget allocation for 2019-20 is £56.00m. This comprises of £29.50m resource, £25.50m capital and £1.00m financial transactions.
- The budget is in line with planned expenditure set out in HIE's business plan and will allow them to support business growth, strengthen communities, support growth sectors and develop regional attractiveness.

Skills Development Scotland

- The budget for grant in aid for 2019/20 is £214,697m. 2019-20 Draft budget provides an increase of c£22m. SDS are working towards achieving £5m savings in 2019/20 as agreed with Ministers.
- Board appointments for 3 new members is ongoing. The advert opens on 9 September 2019 and will close on 7 October 2019. Appointments are expected to commence on 6 January 2020.

Scottish Funding Council (in Education and Skills Portfolio)

- The SFC is the national, strategic body responsible for investing around £1.8 billion each year in teaching and learning provision, research and other activities in Scotland's 26 colleges and 19 universities and higher education institutions.
- The SFC's budget for 2019/20 is £1.839m, an increase of £1.3m from 2018/19.
- A Board appointments round for up to 7 new members is currently underway. Interviews have been held and appointments are due to be in place by 4 November.
- The SFC published its Strategic Framework 2019-22 (including its Operating Plan 2019-20) on 25 June 2019.

South of Scotland - (inc Rural Economy Portfolio)

- The SOSE Bill was passed unanimously on 5 June and received Royal Assent on 12 July. The legislation is high-level and enabling, with SOSE to be operational on 1 April 2020.
- The Act provides sets out the strategic aims of SOSE - to further the economic and social development, and improve the amenity and environment, of the South.
- The SOSE Act leads the way in taking forward statutory duties to fair work and is the first time that we have legislated for this. Ministers will expect SOSE to implement Fair Work practices internally and have committed to it becoming an accredited living wage employer.
- Work to deliver the practical arrangements for the new agency is underway. Our aim is that the agency has a presence right across the region and we are working to deliver a 'hub and spoke' approach to location maximise accessibility.
- Russel Griggs was appointed as Chair of the new enterprise agency on 26 July 2019, and work is currently underway to recruit the CEO. SOSE Board members will then be selected later in the year.
- We put in place the South of Scotland Economic Partnership (SOSEP) in advance of the statutory body, to drive a fresh approach to economic development, supported by £23.3 across FY 2018/19 and 2019/20 which supports the work of SOSEP and the delivery of South of Scotland Enterprise.
- The partnership is supporting a range of economic development projects across the region with that investment. 24 projects have been approved so far to improve access to skills, nurture community based enterprise, develop regional visitor attractions and support rural business growth.
- We have also committed to invest £85 million to maximise the region's competitiveness as part of the Borderlands Deal. Heads of Terms was signed on 1 July and full deal is expected in Q4 2020.

Key Sectors and Financial Support for Scotland

Financial Services

- Financial services sector in Scotland remains strong. 152,000 (source UK Finance 2019 report) employed across financial and professional services. 2nd largest financial centre in the UK.
- Sector-led strategic plan finalised autumn 2017 supported by Financial Services Advisory Board (FiSAB) to develop and grow Scotland's financial services sector over next 5 years. Industry working closely with government, and skills and enterprise agencies to achieve growth. The latest meeting was held on 19 September 2019. The next meeting will be held on 3 December 2019.
- Banking and Economy Forum launched, last meeting was held on 1 October 2019. Members were offered individual engagement with SG senior team and meetings will commence end October 2019. Date for next meeting is 30 October 2019.
- FinTech Scotland launched in 2018 to support Scotland's growing FinTech base, with support of government, industry and academic sectors.
- Support for development of ethical and sustainable finance sector with £400k funding agreed to support United Nations Development Programme centre for sustainable development finance in Edinburgh, within the Scottish Government supported Ethical Finance Hub.
- Supporting Global Ethical Finance Festival to be held in Edinburgh in October 2019 through the Ethical Finance Hub.

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 September 2019, **262 companies** have received **£159.9 m** 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 over three years 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.
- The Building Scotland Fund (BSF) is a precursor to the Scottish National Investment Bank (SNIB) and reflects the principles behind it. As a precursor, the BSF is committed to its values, principles and ambitions including supporting the transition to the zero-carbon society and the promotion of ethical and inclusive business practices.
- BSF has a portfolio of agreed investments and an active pipeline, delivering housing, industrial, commercial and regeneration investments, and in the process creating new markets.
- BSF has unlocked major developments, delivering innovative tailored interventions to fill financing gaps such as providing finance that is not currently being provided by the market, looking to complement rather than crowd-out existing or potential investment.
- 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 established its eligibility criteria, governance and delivery arrangements. and has agreed investment of **£100 million** to a range of projects.

Scottish National Investment Bank

- The Bank has the potential to transform Scotland's economy, providing patient and 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, approving the general principles. The Scottish Government responded in August 2019.
- On 26 September 2019, the Scottish Parliament approved the Bill in principle after a stage one debate.
- 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 Scottish Government will provide £130 million in 2019/20 to establish the Scottish National Investment Bank and finance its early activities. The Programme for Government 19/20 confirmed that the Bank will work with partners from across our economy to deliver investment, with the transition to net zero its primary mission. We are also exploring other areas of focus/ missions for the Bank.
- The advert for the Chair of the Board of the Bank went live on the Public Appointments website on 12 July and the interview process recently concluded. We expect to announce the appointment of the Chair soon..
- 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 First Minister announced In the 2019/20 Programme for Government that the Bank's primary mission will be to support Scotland's transition to a zero carbon economy.
- 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

Business Innovation

Published in January 2017, The Scotlad Can Do – Boosting Scotland’s Innovation Performance: an Innovation Action Plan was published as part of the Enterprise and Skills Review. The plan set out some immediate steps to help improve Scotland’s innovation performance which has been divided into four key priorities.

- **Priority one - Directly encourage more business innovation.** The 2017-18 Programme for Government set the goal of doubling Business Enterprise Research & Development (BERD) in Scotland from £871m in 2015 to £1.75bn in 2025. To support this SG has committed an additional £45m from FY2018/19 to FY2020/21 to support additional R&D grants, awarding 75 R&D grants with project costs totaling £123m in the first year. Supporting VentureFest Scotland - an annual festival of discovery and innovation, with the headline event the CAN DO Innovation Summit taking place on 20 November 2019 at Glasgow Science Centre
- **Priority two - Use public sector needs and spend to catalyse innovation.** This is being driven forward by the £7m CAN DO Innovation Challenge Fund launched November 2017 which uses private sector innovation to solve public sector challenges. To date 19 organisations have been funded to run 18 challenges with over 100 SME applying and 55 contracts valued at £1.51m have been awarded. CivTech, the internationally renowned, multi-award winning programme with the world’s first cross-public-sector tech accelerator at its heart is now on its fourth cycle. It has worked with 27 public sector organisations/departments to run 38 public sector challenges, through which contracts totalling over £1.7m have been directly awarded. In addition, we are piloting innovation partnerships which enable open innovation procurement at scale.
- **Priority three - Support innovation across sectors and places.** In addition to the City & Region deals, key activities include FinTech Scotland launched in January 2018 to support our growing Fintech sector, the £65m National Manufacturing Institute for Scotland and the £56m Medicines Manufacturing Innovation Centre, which will revolutionise the way medicines are manufactured. The £16m Northern Innovation Hub will help SMEs, in the Highland Council area, improve their business through innovation and focuses on Life Sciences, Tourism, Food and Drink and Creative Industries.
- **Priority four - Make best use of University research knowledge and talent to drive growth and equip Scotland's people with the tools and skills needed to innovate.** Key examples include funding the second year of the £500k College Innovation Fund which in the first year the project produced new course material to support emerging industries such as smart housing. Funded Knowledge Transfer Partnerships in Scotland (£1.5m per annum) to drive knowledge exchange between industry and academia. Through SFC, we have been funding the Scottish Innovation Centre network. These are world-leading collaborations between businesses, universities, colleges, public sector and others capitalising on Scotland's world-class research. Initial funding was £120m over 6 years (2013-2019) and funding for the next phase is currently under review.

Further Education, Higher Education and Apprenticeships

- A record number of students enrolled at Scottish Higher Education Institutions in 2017/18: an increase from last year of 2.1% to 247,110 and a 7.4% increase since 2006/07. There is also record numbers of EU and non-EU international domiciled students.
- There was also a record number of qualifiers from Scottish HEIs in 2017/18, an increase of 2.4% to 76,595 since 2016/17.
- Scotland’s Colleges exceeded the government’s 116,269 FTE target by 2,415 FTEs in 2017-18.
- The number of enrolments (303,115) and headcount (242,488) at Scotland’s colleges increased in 2017/18 on the previous year by 3.9% and 2.9% respectively.
- Scottish Government’s 2018/19 target of 28,000 Modern Apprenticeships was exceeded, with 28,191 starts, including 921 Graduate Apprenticeships.
- For 2019/20 the Scottish Government’s target for Modern Apprenticeships starts will be 29,000 (including 1,300 Graduate Apprenticeships), progressing towards 30,000 starts by 2020/21.
- Foundation Apprenticeships (FAs) are run by SDS and provide ‘work-based learning opportunities for secondary school pupils making their senior phase subject choices’. FAs were first introduced in 2014 with two initial pathfinder phases (2014-2016 and 2015-2017) followed by three groups of FAs described as Cohort 1 (2016-2018), Cohort 2 (2017-2019) and Cohort 3 (2018-2020). The Scottish Government’s ambition is to have 5,000 FA opportunities available for pupils in academic year 2019/20.

- To date there have been 3,122 FA starts spanning the three cohorts. There were 346 FA starts delivered for Cohort 1, 1,244 delivered in Cohort 2 and 1,532 delivered in Cohort 3.

European Structural Funds

- European Social Fund and European Regional Development Fund together worth €873m to Scotland; with match funding brings €1,793m investment.
- European Structural Funds are focused on EU priorities in areas such as employment, innovation, skills, poverty reduction and climate/energy.
- £547m in grant funding awarded to projects so far, representing 69% of the total value of the Scottish Programmes.
- £102.7m of ESF and ERDF grant paid to recipients of funds.

Trade & Investment

- Published on 1 May "[A Trading Nation: a plan for growing Scotland's exports](#)" represents the most comprehensive analysis of Scotland's export performance and market opportunity ever undertaken by the Scottish Government.
- The plan seeks to grow the value of Scotland's exports as a percentage of GDP from 20% – 25% over the next ten years..
- This could increase GDP by approximately £3.5 billion and create 17,500 jobs with an increased tax take of £500mn per annum.
- **We will invest an additional £20m over three years** to deliver the support that will have the greatest impact on export performance and the Scottish economy:
 - invest £2 million over 3 years to intensively support 50 high growth businesses/yr to ramp up overseas activity and create 100 new business to business peer mentorships/yr for new exporters
 - scale up the GlobalScot network, expanding from 600 to 2000 business people in key markets, including doubling to 500 in Europe by 2020.
 - strengthen our network of in-market specialists by adding up to 15 in-market specialists focused on the 15 countries that offer the greatest opportunity for growth.
 - evaluate our trade envoy programme and potentially treble the number of envoys.
 - provide up to £2M over 3 years to the Scottish Chambers of Commerce to develop a programme of specific actions aligned to the Export Growth Plan to support B2B activity focusing on building export capacity and growth.
 - Scotland continues to attract foreign direct investment and has been the UK's leading FDI destination outside London for six of the last seven years.
 - There are over 2,600 foreign-owned companies in Scotland with a combined turnover of around £86 billion and employing 330,000 staff.
 - They account for 1.5 percent of total registered enterprises in Scotland, 17.0 percent of employment and 32.8 percent of turnover. Through our network of International Innovation and Investment Hubs and our global SDI presence we are actively promoting Scotland as an fdi destination with the latest EY Attractiveness Survey reporting a positive perception amongst investors with Scotland's attractiveness rating doubling in a year (from 3.5% to 7%).

Digital Connectivity

- Alongside our partners, we have invested over £400 million in the Digital Scotland Superfast Broadband (DSSB) programme to provide fibre broadband access to 95% of premises across Scotland.
- That target has been exceeded and over 940,000 premises can now access fibre broadband as a direct result of the DSSB programme – around 100,000 premises more than originally anticipated.
- We have committed £600 million to the procurement phase of our Reaching 100% (R100) Programme to ensure that every home and business in Scotland can access superfast broadband of 30 Megabits per second (Mbps) and above.
- Currently only £21 million - 3.5% - of the £600 million for R100 is being met by the UK Government, despite legal and regulatory responsibility resting solely with UK Ministers.
- On 10 October, we announced BT plc as the sole bidder for both the central and south lots in the Reaching 100% (R100) procurement. An announcement on the north lot will be made in due course.

- Following detailed evaluation, moderation and governance procedures, we intend to proceed to contract signature for the central and south lots as soon as possible.
- Delivery timescales will be confirmed, once we have contracts in place.
- The Programme for Government announces creation of the Scotland 5G Centre – a collaboration between government and academia with industry.
- This follows publication of our 5G strategy on 26 August which sets out our aspiration to position Scotland as a 5G leader and a forward-looking digital nation.
- We are investing up to £25 million in the Scottish 4G Infill Programme which will push 4G coverage beyond commercial rollout by deliver future-proofed, 4G infrastructure and services to selected mobile ‘not-spots’.

City Region and Growth Deals

- Scottish Ministers are committed to securing 100% coverage of Scotland with city region and growth deals and we are glad the UK Government has now joined us in sharing that same aim. We have urged the UK Government to clarify how their investment will be divided amongst the remaining deals and to confirm all deals will receive a fair level of funding ensuring all of Scotland can benefit from the levels of investment required to accelerate inclusive economic growth.
- We have agreed 6 city region deals and two growth deals in Scotland with discussions ongoing with the rest of Scotland.
- There are four deals in delivery: Glasgow, Aberdeen, Inverness and Edinburgh. We’ve agreed Heads of Terms for Stirling & Clackmannanshire, the Tay Cities, the Ayrshires and the Borderlands.
- Together, these deal commitments, since 2014, add up to £1.463 billion committed from Scottish Government, £2.185 billion regional partner investment and £1.364 billion committed from UK Government over the next 10-15 years. In addition we have recently announced we will invest £32.5 million in the Moray Growth Deal and £25 million in the Argyll and Bute Growth Deal.
- Not only have we invested in the deals, our additional linked investment in these regions brings our overall commitment to over £1.8 billion over the next 10-15 years.
- Scottish Government has exceeded UK Government investment. This will benefit Scotland as a whole, creating thousands of jobs and up-skilling local labour markets.
- Ministers are very clear that they expect deals in Scotland to be 50:50 funded with UK Government.
- Regional Partnerships are key to maximising the impact of deals, and will learn from, and build on, the governance foundations laid by City Region Deals.
- Overall we have allocated a total budget of £192.4m in 2019-20. This reflects an overall increase from 2018-19 of £70.2m with a £65.9m capital increase and £4.3m resource increase following progress in deal delivery and development.
- This includes total UKG city deal investment of £87.8m.

National Manufacturing Institute Scotland (NMIS)

- NMIS will be an industry-led international centre of expertise which will make Scotland a global leader in advanced manufacturing. Scotland must be an inventor and producer, not just consumer, of goods
- Funding of £65m for NMIS has been announced - £48m from the Scottish Government and £8m from Strathclyde University, along with £8.9m already announced for the Lightweight Manufacturing Centre (LMC) in June 2017. A planning application for the development of NMIS was submitted on 25th of September and will now be considered by Renfrewshire Council.
- NMIS is being delivered with key partners including SE, HIE, SDS, SFC, Renfrewshire Council and will be operated by University of Strathclyde.
- The LMC will act as a first phase of NMIS and was formally opened by the First Minister on 26 June 2019. LMC showcases the type of support and advanced technology expertise which will be available across NMIS.
- The NMIS Industry Doctorate Programme has awarded 22 studentships so far, covering 6 universities and 11 different industry sectors. A further call closed on 18 October and applications are now under review. An initial portfolio of professional training is being rolled out as another early part of the NMIS skills offering with the first module being delivered on 31 October 2019.
- NMIS, will act as an anchor tenant of the Advanced Manufacturing Innovation District Scotland (AMIDS). AMIDS is being developed by Scottish Enterprise and Renfrewshire Council, supported by SG, to attract advanced manufacturing investment to Renfrewshire and Scotland. A groundbreaking event, attended by Cabinet Secretary for Economy, Finance and Fair Work, was held at the AMIDS site on 28 August 2019 to mark the start of essential infrastructure work.

- The Advancing Manufacturing Challenge Fund (AMCF) was launched 29 May, using £14 million of ERDF funding to enable public bodies, academic organisations and charities to provide regionalised support to help manufacturing SMEs take advantage of new technologies to improve processes and boost productivity. The deadline for stage two applications closed on 13 September 2019, with a positive response from applicants - applications will now proceed to the assessment stage.

Life Sciences

- Life sciences is a tremendously important sector for Scotland, in 2016, turnover stood at £5.2 billion and Gross Value Added (GVA) stood at £2.4 billion.
- The sector employs almost 40,000 people across 770 organisations.
- Life Sciences jobs are highly productive – with GVA per job twice as high in the Life Sciences sector, compared to the Scottish average. In 2016, Gross Value Added per Job was £93,735 in the Life Sciences sector, compared to £45,360 for Scotland's economy as a whole.
- In 2017, Life Sciences had the highest BERD spend at £293 million – representing 23.5% of the Scottish total.
- Total exports from the Life Sciences growth sector stood at £1.5 billion in 2017, accounting for 1.9% of Scotland's total exports. Exports from the sector were up 12.0% from their 2016 level.
- Exports to the Rest of the UK (RUK) stood at £265 million in 2017 and accounted for 17.4% of total Life Sciences exports. International exports to the EU stood at £630 million (41.3%) and international exports to the Rest of the World stood at £625 million (41.3%).
- The EU is an important market for Scottish-based life science companies. Exports to the EU totalled £630m in 2017, accounting for 50.0 per cent of total international life science exports.

Economic Policy and Capability Division / Development Directorate – 15 October 2019

ABERDEEN CITY REGION DEAL – (SIGNED NOVEMBER 2016)

Top Line: The Scottish Government is a full partner in the Aberdeen City Region Deal, contributing £125 million over 10 years. In addition, we will also invest an additional £254 million over the same time period to facilitate a more significant step change to the economy of the North East.

Investment:

- Both the Scottish Government and UK Government have committed to investing **£125 million** each over 10 years with regional partners committing a further **£576 million**. The overall deal is worth **£826 million**.
- Grant payments from between 2016 and 2019-20 have been paid to date – totalling **£54.3 million**.
- The Deal supports Aberdeen's position as a global oil and gas hub, paving the way for significant investment in innovation, digital connectivity and infrastructure to help further diversify the region's economy.

Structure/Governance:

- The Aberdeen City Region Deal Joint Committee is made up of officials from Aberdeen City Council, Aberdeenshire Council and Opportunity North East.
- Opportunity North East is a unique economic development body in Scotland. Led by Sir Ian Wood, it is industry-led, privately funded, region-specific and focuses on action to achieve economic growth and safeguard or create employment, to drive the development agenda and activity in North East Scotland.

Monitoring:

- Scottish Government officials work closely with colleagues from the UK Government and the Programme Management Office through formal quarterly Implementation Board meetings to monitor the progress of the deal.

Projects:

- Projects must first be approved by both governments, with business cases having to pass the requirements of HM Treasury Green Book and fit to national policy, before being taken to the Joint Committee for their approval.
- The projects themselves are managed by the Programme Management Office based within Aberdeen City Council.

	SG	UKG	Local Authorities	Universities	Private & others
Oil and Gas Technology Centre	£90m	£90m		£23.5m	£150.6m
Bio-Therapeutic Hub for Innovation	£10m	£10m			£18m
Food Hub for Innovation	£5m	£5m			£10.1m
Digital Infrastructure	£5m	£5m	£7m		£15m
Strategic Transport Appraisal	£2.5m	£2.5m	£2m		
Aberdeen Harbour Expansion	£12.5m	£12.5m	£11m		£339m
Total	£125m	£125m	£20m	£23.5m	£532.7m

Progress:

- The Oil and Gas Technology Centre celebrated its second anniversary in February 2019, and continues to operate with a successful profile within the sector. Targets and outcomes were met or exceeded at the 18 month checkpoint, and so to reflect this high performance, these have been stretched in advance of the 36 month checkpoint due in October 2019. We are currently in discussions with the Programme Office to ensure that its funding model is sustainable beyond the deal, and that the OGTC continues to grow and develop after 2026.
- The business case for the Bio-Therapeutic Hub for Innovation has been approved and the project is now beginning the formal planning approval process with the local authority. It is to be based in the Foresterhill Health Campus in Aberdeen and is expected to open in December 2020.

- The business case for the Food Hub for Innovation has been approved by government and regional partners will now take this project forward with plans for the physical space. The hub is to be located in the Sunnybrae area.
- Further funding was released in December 2018 for the SG/UK funded Transportation Links to the Bay of Nigg STAG Part 2 appraisal. This work will inform what supporting infrastructure is necessary for the Aberdeen Harbour Expansion (funded by private investment). The Harbour expansion has recently experienced some delays relating to dredging, which is being managed by the Aberdeen Harbour Board.
- All the other elements of the deal are continuing to progress with either the development of business cases or the undertaking of further engagement to help understand the issues and identify options to enable delivery.

Inclusive Growth:

- The Regional Economic Strategy, which was approved by both councils, provides a framework for all economic development within the region and lists inclusive economic growth as one of four programme areas that will aim to diversify the economy. The projects within the Deal support this and we expect all decisions taken during their delivery to reflect the commitment within the strategy framework.

[REDACTED], Cities Team, Ext: [REDACTED], BB: [REDACTED]
[REDACTED], Cities Team, Ext: [REDACTED], BB[REDACTED]

25 October 2019

Sensitivities

Sensitivity – City Deal

- We are currently in discussions with OGTC’s Programme Office to ensure that its funding model is sustainable beyond the deal, and that the project continues to grow and develop post 2026.
- OGTC announced the Net Zero Solution Centre in response to global climate emergency, and in line with aspirations for Aberdeen to be the centre of energy transition. This has been supported in PfG, but no additional funding commitment has been made.
- Aberdeen Harbour Expansion has experienced some delays related to dredging. This project is funded via private investment and is being managed by Aberdeen Harbour.

MOU – Additional Funding

- In addition to the SG contribution of £125m to the Aberdeen City Region Deal, the Scottish Government recognised that more support should be made available to the region to deliver further economic benefits. **The Scottish Government committed to invest a further £254 million over the same 10 year period as the City Region Deal.** The investment comprises the following Transport, Digital and Housing investments as well as 5 year certainty on £130 million affordable housing grant.

Transport – Rail	£200 million
Transport – Roads	£24 million
Digital Infrastructure	£10 million
Housing - Infrastructure	£20 million

Sensitivity

- Sir Ian Wood has been engaged in direct correspondence with Mr Mackay and Mr Matheson regarding transferring £200m allocated for rail transport through the additional funding over to supporting ONE’s interest in energy transition and seafood processing.
- The Aberdeen to Central Belt Reference Group met on 12 September 2019 and determined that the best use of the £200m would be for signalling enhancements between Dundee and Aberdeen.
- The project is now moving to the delivery phase, and a report to update the City Deal Joint Committee will be given on 8 November by Transport Scotland colleagues.
- The Aberdeen City Region Deal Partners (represented by Aberdeenshire Council Transportation), Nestrans and Tactran will be invited to send a representative to initial meetings of the Project Delivery Group during the project development phase. These early PDG meetings will be rotated between Aberdeen, Perth and Glasgow.

Aberdeen City Regional Economic Partnership - Regional Economic Vision and Strategy

Top lines:

- We welcome their ambition and drive, and applaud the coalescing of industry to focus on the long terms opportunities for the region
- We recognise what Opportunity North East (ONE) and the wider partnership has achieved in a short time towards delivering the ambition set out in their Regional Economic Strategy. ONE has delivered significant activity to date to ensure the region diversifies and maximises the opportunities for the region's key sectors.
- We strongly support the key regional economic partners working together, and by using their understanding of the unique strengths and opportunities of the region, we believe they can identify new ways to accelerate inclusive economic growth at a regional and, ultimately, national level.
- We are happy to support the regional partnership as it refreshes its vision to address the climate emergency and recognise the part the North East can play as we move to a net zero future.

Sensitivities:

- Aberdeen City Region view the region as key to the energy transition and do not think SG or UKG take them seriously enough in this regard. They have a wealth of expertise and skills and could drive forward this agenda.
- They have expressed a view that SG and UKG are no longer supportive of the oil and gas industry.

The Perm Sec met with Sir Ian Wood on 7 October and assured him that the oil and gas sector, and the North East, remain key components of the Scottish economy. She referred to the commitment made in the most recent PfG to continue to support the oil and gas exploration and production, but that is now conditional upon the sector's commitment to help ensure a sustainable energy transition that is also in the industry's best interests.

Background

- The **Regional Economic Strategy (RES)** was developed in 2015 by Aberdeen City Council, Aberdeenshire Council and Opportunity North East focussing on long term economic growth and maximising opportunities for the region.
- This led to the signing of Aberdeen City Region Deal in November 2016 supporting key infrastructure projects to help meet their ambitions for the region.
- The RES is supported by a **5 year action plan** (refreshed in 2018) setting out key measures and the relevant partner responsible for delivering them.
- **The Regional Economic Strategy Group (RESG)** is an informal regional economic partnership. The group's role is to coordinate the development, delivery and monitoring of the RES and RES Action Plan; support the alignment of ambition, strategy, resources and activity amongst regional and national partners; and ensure priorities, progress and change is communicated among partners to wider stakeholders. Their focus is very much on achieving delivery and impact.
- The group **membership** comprises all key stakeholders including Aberdeen City and Aberdeenshire Councils, Opportunity North East (ONE), Scottish Enterprise, SDS, the Chambers, FSB, the region's Further and Higher Education bodies, and other private and public-sector partners. They are not a decision making body.
- The RES and action plan focus on delivering actions across four themes: infrastructure investment (physical and digital), innovation, inclusive economic growth, and

internationalisation. The focus of each theme is on stimulating growth and investment in their key sectors: oil, gas and energy; food and drink; tourism; life sciences and digital.

- The RESG agreed at their meeting on 18 September 2019 to **refresh their vision to take into account the climate emergency**. The region sees itself as key in the energy transition drawing on their skills and expertise, and want SG to support this.

Information related to this briefing

Jennifer Crow sits on the Regional Economic Strategy Group (RESG). RESG is revising its vision for the region in light of the climate emergency. RESG acts as the Regional Economic Partnership (REP).

Opportunity North East feeds sector views into the REP via their sector boards (one for each of the region's key sectors).

Sir Ian Wood has met with you on a number of occasions regarding the North East's ambitions in terms of energy transition and seafood processing. The next meeting is scheduled for 5 December.

Discussion Key: Cabinet Secretary in **bold**. Attendees in *italics*

Aberdeen Business Dinner
6th November 2019
Malmaison Hotel

Attendees:

Cabinet Secretary for Finance and Economy (CS)
Tricia Walker, Burness Paull LLP
Peter Bruce, Entier Ltd
Colette Cohen, Oil and Gas Technology Centre
Ryan Scatterly, Thistle Seafoods
Jennifer Crow (Opportunity North East)
Jonathan Tame, Subsea 7
Jeanette Forbes (PCL Group)
Michelle Handforth, Aberdeen Port Authority
Peter Reekie (SFT)
Jon Pickstone (SG)
David Rennie (SE)

CS: overview of the Scottish economy. Wants this dinner to look forward – be big and bold

LABOUR AVAILABILITY

- Automation ok, but can kill innovation. People need to develop, use and test products. Need to also upskill current workforce. Immigrant labour vital (understanding that policy not devolved).

CS: SG acting to try and support immigrant labour. CS has met Andrea Leadsom seeking differential approach in UK – Canadian states have different immigration rules. Have also written to 7000 business supporting retaining existing immigrant labour in Scotland.

*- business would be comfortable with company specific visa schemes
- weak £ making UK less attractive for European workers*

CS: looking at attracting more workers from rUK by promoting advantages of living in Scotland. UK may look beyond Europe more in future

TAX

- Scottish higher rate income above rUK – makes it more difficult to attract talent

CS: Only if I have more resources can I equalise with England. Difficult with current financial rules for SG set by UKG. But 55% of people in Scotland pay a lower rate of income tax than in England. SG spending helps attract talent – you get back more e.g. free university education and free prescriptions. A company told CS that if the 1% differential is a problem for prospective

workers, then they don't want to hire them. CS wants to live in a country with quality education and public services, not a race to the bottom.

- risk that those educated in Scotland move to England?

CS: UKG have reduced taxes for higher earners for political reasons, but for the majority, Scotland has lower tax rates, but you don't hear that.

ENERGY TRANSITION

- Energy transition key to driving future economy. Attract more offshore wind manufacturing and decommissioning to Aberdeen

CS: local skills and supply chains vital to competing with developing world. Questions links between decommissioning and harbour.

- lots of interest in assembly/disassembly work at harbour. Short of land for storage

- CS keen to attract more manufacturing and fabrication

- Need to come to market with an integrated proposition for wind – labour, tech, skills

- oil and gas commissioning and decommissioning – done locally reduces carbon footprint

- no way of recycling wind turbine blades at present

- hoping for first recommissioning site in Europe – recycling metals for higher value uses. Aberdeen has the skills

- renewable industry needs to be a circular industry from the outset. No plan for after 20 year lifespan

- need plan for North Sea – different uses get in the way of each other

- offshore floating wind useful

- oil and gas industry learns from renewables sector

- energy costs of building renewables products too high vs. amount generated. But this is hidden as not fashionable

- need ways to excite talent and attract to energy sectors

- green energy and development running at different speeds in different countries – opportunity for Scotland that countries such as USA adopting slower

- size of renewable energy sector doubles by 2050

- CS – **public demand for green energy will grow. Scotland’s global leadership on climate change could have huge effect**

- *need standardised recycling across local authorities to aid consumer understanding, including what to and what not to buy*

APPRENTICESHIP LEVY

- *12k offset in England*

- CS – **Scottish scheme is different as guaranteed a job at the end + less exploitation + more investment in skills. UKG sets the apprenticeship levy, if we had control, we would scrap it.**

- *weren’t you doing all that before the levy?*

- CS – **now companies get the opportunity to shape the skills sector. More calibrated to whole economy needs.**

- *skills need to start in schools*

- *would you fund research heavy unis e.g. Edinburgh Uni less and direct workplace skills more*

- CS – **about having a range of joined-up investments in a place including innovation centres**

- *private sector performs better at skills provision than traditional colleges as market roots out failures*

- CS – **important to fund by outputs e.g. jobs filled**

- *UKG have no engagement on the levy. Levy reduces companies taking on apprentices*

- *when our company visits schools audiences range from the small to large – seems some schools better plugged in than others*

- *Fife is best catering college in Scotland*

- *been trying to provide local seafood to local schools to encourage kids to eat seafood and have better diets. Will price match or even offer free. But can’t as they need to have open competition.*

- *should attract the international seafood expo to Aberdeen for spend, inward investment and tourism. Got the hotel capacity and the facilities e.g. golf courses*

- *should have a code clan equivalent in Aberdeen*

BREXIT AND SCOTTISH INDEPENDENCE

- *some ports think decoupling process from EU is 20 years*
- *how would Scotland be faring as an independent country given currently low oil prices.*
- **CS – genuinely think well be better off as an independent nation, doing as well as any other nation with similar population and resources**
- **CS – won't move to a new currency until the point it's in our interest**
- *99% of my time is the day job, but I do believe in the economic case. Right now focused on balancing books.*
- *how do we generate widespread public recognition that a deal is nowhere near the end of the Brexit process*

INFRA and GROWTH FUNDING

- **CS – if we have to leave EU, SG and businesses want to stay in customs union and single market. Tried to offer that compromise. Businesses want EU immigration too. Business could better voice the downsides of Brexit**
- *European Investment Bank has stated that funding will be honoured but that no guarantee of funding post Brexit. Infrastructure is capital hungry*
- **CS - EIB invests beyond EU but might depend on nature of Brexit deal. Looks like UKG will borrow more in future for infra, facilitating SG to do similar. SG wants to increase infra investment to stimulate growth without driving up construction inflation**
- *Scottish partners need to join-up more quickly on Strengthening Places Fund bids and UKRI need to assess them much quicker*
- **CS – UKG likely to refresh Industrial Strategy over next few months**

BREXIT AND SCOTTISH INDEPENDENCE

- *how would you make a transition to a independent Scotland smoother than Brexit?*
- **CS - relationships, borders, timescales – manage it better**
- **CS – some banks critical of Scottish Independence last time; now indie not on their top 10 risks. Their jobs and investments in Scotland remain**

LABOUR FORCE

- *accommodating more people not always good for environment*

- *attracting more people might not be long-term answer given rising automation*

- **CS – investing in data, AI and robotics as part of future economy.**

- *Can we keep older people in the economy for longer to help with labour shortages?*

CS – yes, automation may help with physical demands and we support life-long learning

CS – thanks everyone for coming and brings dinner to a close as it has gone well over time