

Council for Economic Transformation – First meeting

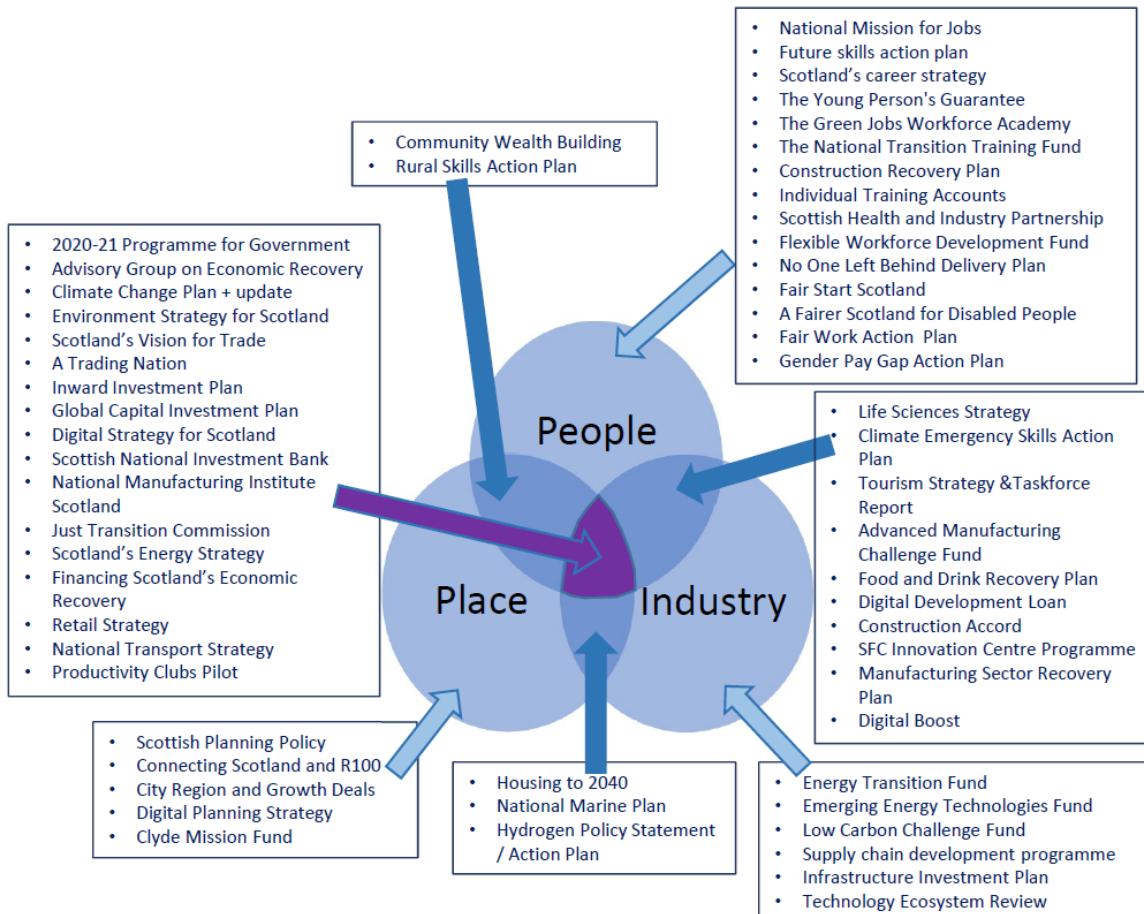
Background Paper 1 - The current policy landscape

There is a wide and varied policy landscape contributing directly and indirectly to supporting economic activity in Scotland. This includes the extensive support the Scottish Government has provided to businesses during the pandemic and additional measures to mitigate the longer-term impacts of COVID.

Ahead of the first meeting of the Council, we thought it would be helpful to provide a background briefing paper on the key initiatives and programmes supporting the economy. Members are not expected to know the detail of these initiatives and programmes, but this is intended to act as a helpful reference when considering additional actions to transform the Scottish economy.

These initiatives and programmes align with the [**National Performance Framework**](#), Scotland's wellbeing framework. See Annex A for key economy related NPF Indicators.

The diagram below provides an initial overview of many of the primary policy documents and the linkages between them. Summary details on each are set out below.



People Industry and Place

The [**2020-21 Programme for Government**](#) sets out the actions the Scottish Government will take during that year and beyond and includes the legislative programme for the parliamentary year. The PfG is updated annually.

The [**Advisory Group on Economic Recovery**](#) provided independent and expert advice on responding to the long-term impacts of coronavirus. Specifically advising on economic recovery from the pandemic. This included measures to support different sectoral and regional challenges the economy will face in recovery and how business and society will change as a result of COVID, highlighting opportunities to operate differently support the transition towards a greener, net-zero and wellbeing economy. The Scottish Government broadly accepted all of the recommendations and set out a [**plan for their implementation**](#).

Scotland's **Climate Change Plan** is a key strategic document on our green recovery from COVID-19. The Plan was published in 2018 for the period to 2032. [**An update was published in 2020**](#) which updates this plan and sets out the Scottish Government's pathway to the new and ambitious targets set by the Climate Change Act 2019.

The [**Environment Strategy for Scotland**](#) sets out an overarching framework for Scotland's existing environmental strategies and plans, including the Climate Change Plan. It outlines our vision for Scotland's environment and our role in tackling the global crises as well as identifying the outcomes on which we need to focus to achieve our vision and priority actions. It is accompanied by wider guidance and advice on environmental monitoring, governance and principles.

Scotland's [**Vision for Trade**](#) sets out five trade principles that will underpin the trading and investment relationships we want Scotland to have now and in the future. It is the 'compass' or 'guide' for all engagement on Free Trade Agreements and underpins other policies and activities with a trade and/or investment dimension, including our three international economy plans (see below).

[**A Trading Nation**](#) aims to grow Scotland's exports from 20% to 25% of GDP by 2029 and sets out how to best focus resources and policies to deliver that growth. It uses data driven analysis and market intelligence to identify the priority sectors, markets and types of businesses most likely to deliver export growth.

[**Shaping Scotland's Economy – Inward Investment Plan**](#) is about taking a values based approach to inward investment which maximises the spill over benefits to the Scottish economy through a focus on nine key opportunity areas.

[**Investing with Purpose – Global Capital Investment Plan**](#) articulates the important role private capital investment can play in driving an investment-led recovery. The plan focuses on sectors where Scotland can demonstrate a real international comparative advantage, and marks a pivot in our approach towards applying higher environmental, social and governance standards for investment.

The Digital Strategy for Scotland sets out the measures which will ensure that Scotland will fulfil its potential in a constantly evolving digital world where data and digital technologies are transforming every element of people's lives.

The Scottish National Investment Bank is a mission-led development bank providing patient capital to build a stronger, fairer, more sustainable Scotland. Supporting Scotland's transition to net zero by 2045, supporting communities and promoting equality, and harnessing innovation to enable Scotland's people to flourish.

The **National Manufacturing Institute Scotland** is a group of industry-led manufacturing research and development facilities with a network of Partners across Scotland brought together to boost the manufacturing community.

The role of the **Just Transition Commission** is to advise Scottish Ministers on how to apply Just Transition principles to Scotland. **The Just Transition Commission published their final advice centred on 24 core recommendations in March 2021.**

Scotland's Energy Strategy was published in 2017, setting out vision for a flourishing, competitive, local and national energy sector, delivering secure, affordable, clean energy for Scotland's households, communities and businesses. Since then, the Scottish Government has committed to achieving our ambitious targets of net zero greenhouse gas emissions by 2045 and a 75% reduction by 2030. An **updated position statement** was published this year in light of the impacts of COVID and advance of COP26.

The **Financing Scotland's Recovery** report identifies a number of issues impacting on the financial viability of businesses in Scotland as a result of COVID and sets out 10 recommendations to support sustainable financial solutions to address some of the key financial barriers to economic recovery.

The **Retail Strategy Steering Group** made up of representatives from trade organisations, business, academia, public sector and trade unions with a remit to consider the impact that COVID-19 has had on retail businesses and develop a shared vision for the future of retail in Scotland. The Retail Strategy is expected to publish later this year.

The **National Transport Strategy** sets out an ambitious vision for Scotland's transport system for the next 20 years - underpinned by four priorities: Reducing Inequalities, Taking Climate Action, Supporting Inclusive Economic Growth and Improving our Health and Wellbeing.

The **Productivity Clubs Pilot** supports peer-to-peer learning between businesses to help them share skills, technology and innovation. Members work together to share best practice in activity that boosts productivity and supports sustainable economic and business growth.

Place

Scottish Planning Policy - reflects Ministers' priorities for operation of the planning system and for the development and use of land, promoting consistency in the application of policy across Scotland whilst allowing sufficient flexibility to reflect local circumstances. The SPP sits alongside the [National Planning Framework \(NPF\)](#) , [Creating Places](#), [Designing Streets](#) and the [collection of Planning Circulars](#).

Connecting Scotland was launched in response to the pandemic, to provide digital devices, data, training and support to get online to those who need it most. Investment of more than £48m has provided low-income households with digital devices, skills and support to get online. This is closely linked to the [R100 scheme](#) to reach 100% coverage, universal access to superfast broadband across Scotland.

City Region Deals and Growth deals are packages of funding and decision making powers, agreed between the Scottish Government, the UK Government and local partners - designed to bring about long-term strategic approaches to improving regional economies. Deals have now been announced for every part of Scotland, with the Scottish Government investment totalling more than £1.9 billion.

The [Digital Planning Strategy](#) defines a long-term strategic direction for how Scotland's planning system will digitally transform, embracing the opportunities new digital technologies and data present. It sets out what we intend to deliver, why this is needed and the benefits this transformation will bring.

The [Clyde Mission Fund](#) makes funding available to public, private and third sector or community organisations to support capital projects that deliver economic stimulus and jobs, and contribute to the Scottish Government's wider strategic aims.

Place and Industry

Housing to 2040 sets out a vision for housing in Scotland to 2040 and a route map to get there. It aims to deliver the ambition for everyone to have a safe, good quality and affordable home that meets their needs in the place they want to be.

Scotland's National Marine Plan provides a framework for managing all developments, activities and interests in or affecting Scotland's marine area (territorial and offshore waters). Adopted in March 2015, the NMP sets out high-level objectives, general policies and sectoral policies.

The [Hydrogen Policy Statement](#) provides the policy framework for the development of the hydrogen economy in Scotland. Published in December 2020, the policy statement will be followed by an **Hydrogen Action Plan** later this year which will set out details of how we will take forward the necessary actions to enable Scotland to become a leading Hydrogen Nation in the production of reliable, competitive, sustainable hydrogen and secure Scotland's future as a centre of international excellence as we establish the innovation, skills and supply chain that will underpin our energy transition.

Place and People

Community Wealth Building is a people-centred approach to local economic development, which redirects wealth back into the local economy, and places control and benefits into the hands of local people. There are six key projects in development across Scotland in Ayrshire as well as Clackmannanshire, the Western Isles, the South of Scotland, and the Glasgow City Region and Tay Cities Deal.

The **Skills Action Plan for Rural Scotland** sets out our partnership approach to developing the skills and talent needed to make sure that Scotland's rural economy and communities continue to flourish and grow. Focussing on education and skills provision tailored to the needs of the rural economy.

People

The National Mission for Jobs, first set out in the 2020 Programme for Government is a national mission to help create new jobs, good jobs and green jobs –working with employers and individuals to build the skills and infrastructure that we all need to succeed, in the industries of the future.

Scotland's Future Skills Action Plan sets out how we can build on Scotland's already successful skills system, delivering long-term process improvement. To respond to the ever-changing needs of individuals, businesses and our economy.

Scotland's careers strategy highlights the role that career education, information, advice and guidance services in Scotland can play in helping to address future skills demands and deliver inclusive growth. The **Young Person's Guarantee** is a commitment to bring together employers, partners and young people. It will connect every 16 to 24 year old in Scotland to the opportunity of a job, placement, training or volunteering with employers committed to the Guarantee.

The **Green Jobs Workforce Academy**, announced as part of the Climate Emergency Skills Action Plan, will support existing employees, and those who are facing redundancy, to assess their existing skills and undertake the necessary upskilling and reskilling they need to secure green job opportunities as they emerge.

The **National Transition Training Fund** aims to tackle the rise in unemployment caused by Covid-19 by offering short sharp training opportunities for people to learn in-demand skills. Delivering the next phase of this programme is one of this Government's first 100 days' commitments.

The Scottish Construction Industry Recovery Plan was published by the Scottish Construction Leadership Forum - a collaborative initiative of Construction Scotland and the Scottish Government. It was established in March 2019 to develop and implement an action plan of improvements.

Individual Training Accounts provide support employability by focusing on those actively seeking employment and those who are currently in low paid work and looking to progress with a grant of up to £200 towards a training course.

The Scottish Health and Industry Partnership Group is an initiative aimed towards strengthening Scotland's innovation activities in health and social care in

order to solve real problems and improve quality, efficiency and sustainability of healthcare.

The **Flexible Workforce Development Fund** provides access to flexible workforce development training opportunities to address priority skills gaps and training needs including new skills to enable businesses to adapt and respond to the impacts of COVID.

The **No One Left Behind Delivery Plan** sets out our commitment to providing person-centred and place-based employability support to those who are or at risk of long-term unemployment, in partnership with local government, third and private sectors.

Fair Start Scotland, Scotland's national employment support service, provides personalised support for unemployed disabled people, those with health conditions or other barriers to moving into fair and sustained work.

A Fairer Scotland for Disabled People: employment action plan sets out the action we will take to meet our ambition to at least halve the disability employment gap in Scotland by 2038. The action plan will be refreshed during 2021/22.

The **Fair Work Action Plan** alongside the **Gender Pay Gap Action Plan** and the **Disabled People Employment Action Plan** sets out the action we will take, working across the Scottish Government and with stakeholders to embed and mainstream Fair Work in Scottish workplaces and Ministerial portfolios, with the aim of Scotland being a Fair Work Nation by 2025. We have also committed to develop an **Ethnicity Pay Gap Strategy**.

Industry

The Energy Transition Fund is a £62 million fund to support businesses in the oil, gas and energy sector, helping attract private sector investment over the next five years as they grow and diversify towards supporting a just transition to net zero.

The **Emerging Energy Technologies Fund** will support the development of hydrogen and Carbon Capture and Storage (CCS), and which will add new impetus to the development of negative emissions technologies (NETs) in Scotland. The EETF is a £180m capital investment programme from 2021-2026 and will contribute to achieving our net zero emissions targets and sector emissions envelopes presented in the Climate Change Plan Update.

The Low Carbon Challenge Fund provides competitive grant funding for academic institutions, public bodies, and third-sector organisations to support initiatives helping Scottish SMEs to unlock global opportunities of the climate emergency.

The Supply Chain Development Programme will support the work on the National Mission for Jobs by improving the capacity, capability and the development of Scottish supply chains. The programme will build on the success of the new PPE supply chain created in Scotland, it will explore how we can better leverage Scotland's annual £12 billion public sector procurement spend, and it will focus

initially on identifying opportunities in three broad areas: Net Zero Transition, Built Environment, and Health.

[**The Infrastructure Investment Plan**](#) outlines a strategic approach to delivering Scotland's National Infrastructure Mission - demonstrating the vital role infrastructure has to play in helping businesses and communities to adapt and recover from the COVID-19 pandemic.

The [**Scottish Technology Ecosystem Review \(Logan Review\)**](#), considered how Scotland's technology sector can contribute to the country's economic recovery from COVID. The review's recommendations are primarily concerned with supporting and nurturing technology businesses in Scotland, from the early start-up phase through to fully-scaled maturity – in order to develop a world-class tech sector.

People and Industry

The [**Life Sciences Strategy for Scotland 2025 Vision**](#) aims to make Scotland the location of choice for the life sciences community and its mission is to increase the industry's contribution to the Scottish Economy to £8bn by 2025 – a [**Scottish Life Sciences COVID-19 Strategic Response Plan**](#) followed this in November 2020.

[**The Climate Emergency Skills Action Plan**](#) identifies a series of priority areas focused on employers, education and individuals that will help Scotland capitalise on job opportunities emerging from a net-zero transition.

[**Scotland's Tourism Strategy**](#), Scotland Outlook 2030, was developed through Scottish Government and Sector partnership setting out a sustainable future for Scotland's tourism industry, this was followed up by the recommendations of the [**Tourism Recovery Taskforce**](#) on how the sector can recover from the impact of COVID.

[**The Advancing Manufacturing Challenge Fund**](#) provides investment for academic institutions, public bodies, and third sector organisations to deliver projects that will help Scottish SMEs improve their manufacturing capabilities.

[**The Food and Drink Sector Recovery Plan**](#) sets out a stream of actions to be delivered to 2023, to recover from the impacts of COVID on the sector and accelerate the core work of the sector's overall strategy - [**Ambition 2030**](#).

[**The Digital Development Loan**](#) provides loans to companies who wish to improve their digital capabilities and capacity. The loan also covers staff digital skills development as part of the drive to improve Scotland's economic productivity.

[**The Construction Accord**](#) - between Government and the Construction Industry - in line with the recommendations of the Infrastructure Commission for Scotland (ICS) - was committed to in the 2020-21 Programme for Government. The accord will support the Construction industry to contribute to the delivery of an inclusive, net-zero carbon economy, focusing on diversity; innovation; and quality. Final publication anticipated by September 2021.

The Scottish Funding Council's Innovation Centre Programme aims to enhance innovation and entrepreneurship across Scotland's key economic sectors, working on problems and opportunities identified by industry – adding value through secondments, industrial studentships, spaces for collaborative work and shared access to equipment.

Making Scotland's Future is an integrated support programme for manufacturing. This calendar year partners are concentrating on our **Manufacturing Recovery Plan**, detailing a set of actions, established by industry, public sector, trade union and academia, to be taken forward to rebuild and grow a successful, vibrant, diverse manufacturing sector as a critical strand of Scotland's long-term economic recovery and success.

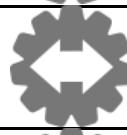
Digital Boost is a national digital engagement programme delivered in partnership with Business Gateway and Highlands and Islands Enterprise providing business with free webinars, digital consultancy support, and online advice & tips to improve their digital capability.

ANNEX A – SCOTLAND ECONOMIC PERFORMANCE: NATIONAL PERFORMANCE FRAMEWORK INDICATORS

Target Outcome: We have a globally competitive, entrepreneurial, inclusive and sustainable economy

Indicators of Progress

Target	Performance Score	Latest Assessment Year
Economy		
Productivity: Scotland's Rank for productivity against key trading partners in the Organisation for Economic Co-operation and Development (OECD)		2018
International exporting: The value, in GBP millions, of Scottish exports (excluding oil and gas).		2018
Economic growth: The difference (percentage point) between GDP growth rate and the previous three year average.		2019
Carbon footprint: Scotland's carbon footprint expressed in million tonnes of carbon dioxide equivalent		2017
The Natural Capital Asset Index monitors the quality and quantity of terrestrial habitats in Scotland, according to their potential to deliver ecosystem services now and into the future.		2019
Greenhouse gas emissions as a percentage change achieved from the baseline figure in 1990		2019
Access to superfast broadband: Percentage of residential and non-residential addresses where superfast broadband is available		2018
Spend on research and development: Gross Expenditure on Research and Development (GERD) as a percentage of GDP.		2018
Innovative businesses: This indicator measures the proportion of businesses that were innovation active during the survey period		2016-18
Entrepreneurial activity: Total Early-stage Entrepreneurial Activity (TEA) rate: proportion of the adult working age population that is actively trying to start a business, or that own/manage a business which is less than 3.5 years old.		2019
Education (Skills)		

Skill profile of the population: Proportion of adults aged 16-64 with low or no qualifications at SCQF level 4 or below.		2020
Skill shortage vacancies: Proportion of establishments reporting at least one skills shortage vacancy		2020
Skills underutilisation: Proportion of establishments with at least one employee with skills and qualifications more advanced than required for their current job role		2020
Fair Work and Business		
The number of businesses: The total number of private sector enterprises (registered for Value Added Tax and/or Pay As You Earn) in Scotland per 10,000 adults		2020
High growth businesses: The percentage of businesses which are high growth enterprises as a share of all registered enterprises		2020
Economic participation: Gap between Scotland's employment rate and the rate of the top performing country in the UK		2020
Employees on the living wage: Percentage of workers earning less than the living wage		2020
Pay gap: Difference between male and female full-time hourly earnings, expressed as a percentage of male full-time hourly earnings		2020
Contractually secure work: Proportion of employees (aged 16 and above) who have a permanent contract		2019
Employee voice: percentage of employees who agree that they are affected by collective agreement, defined as whether agreement between trade union and employer affect pay and conditions		2020
Relative poverty after housing costs: proportion of individuals living in private households with an equivalised income of less than 60% of the UK median after housing costs		2017-2020
Wealth inequality: The Gini coefficient is a measure of inequality where 0 expresses perfect equality (every household has the same wealth) and 100 expresses maximal inequality (one household has all the wealth and all others have none)		2016-2018

Advisory Council for Economic Transformation

Introduction

The Scottish economy faces unprecedented challenges as it recovers from the pandemic and transitions to becoming a net zero economy.

To guide the economy through this period, the Scottish Government has committed to delivering a new 10 year National Strategy for Economic Transformation.

The strategy will be bold and ambitious in driving transformational change in the Scottish economy. It will outline how we can unleash our entrepreneurial potential, grow our competitive business base, invest in and support industries of the future, support businesses in the transition to net zero, deliver new, good and green jobs, and lead transformational change right across the whole of Scotland.

To help shape and drive the strategy, which is expected to be published in October/November 2021, an Advisory Council will be set up drawing on business leaders, academics and public policy experts. The Advisory Council members will bring their experience, insight and bold ideas to inform the strategy.

Remit of the Advisory Council

The Advisory Council, chaired by the Cabinet Secretary for Finance and Economy, will meet virtually over the summer and early Autumn. We envisage the Advisory Council meeting at least 4 times during this period. Alongside the plenary meetings there will be wider engagement directly with members and also with their wider networks and other stakeholders.

Members are being asked to feed in their perspective (including from their wider network of contacts) to inform the framing and focus of the plan but also to bring forward ideas or highlight issues with respect to opportunities to transform Scotland's economy.

After the strategy is finalised, the focus of the Advisory Group will shift to the delivery of key projects. Members are being asked to agree firstly to participate in the development and shaping of the plan and we will consider arrangements post-publication for on-going engagement. (Likely to have a smaller group of members focussing on implementation and delivery).

Advisory Council for Economic Transformation

2nd Meeting – 26 August 2021

Minutes

Attendees

Cabinet Secretary for Finance and Economy; Minister for Business Trade, Tourism and Enterprise; Mariana Mazzucato; John Alexander; Jackie Brierton; Lynne Cadenhead; Chris van der Kuyl; Sharon White; Graeme Roy; Mark Blyth; Maggie McGinlay; Sean McGrath; Mark Logan; Jamie Grant; Roz Foyer; and Anton Muscatelli.

Apologies: Nick Macpherson and Emma Parton.

Supporting SG officials: Liz Ditchburn; Gary Gillespie; Cornelius Chikwama; Richard Murray and Kathy Johnston.

1 Introductions

1. Ms Forbes welcomed members to the 2nd meeting of the Advisory Council and thanked them for all their contributions since the Council last met. A significant amount of work has been undertaken in a short period of time and we remain on course to deliver a strategy which will transform the Scottish economy.
2. The Council gave a clear steer at the last meeting: the need to take a systems-based approach; the strategy must be easy to understand; central to the strategy's success will be ensuring the right delivery mechanisms are in place; recognise the cluttered policy landscape and scope to consider as part of our work the deficiencies in existing strategies; and awareness of the key blockers hindering transformational change which need to be addressed.
3. The focus today will be hearing from the members on the revised vision and missions, the key themes to be included in the strategy and begin to identify the key blockers and enablers to transforming Scotland's economy.

2. Revised vision & outcomes, latest analysis and emerging themes from engagement

4. Ms Forbes invited Gary Gillespie to provide an overview of the feedback received from members and stakeholders and how this has fed in to the latest draft vision and missions.
5. Gary Gillespie outlined that the feedback received on the original framing of the vision and missions was largely positive, but further refinement was needed on the language and that the transition to net zero should be at the heart of the vision. The revised text now has the transition to net zero and fair work at the centre of the vision, with more straightforward language used for

the missions. In addition, we have set out some draft measures of success to help articulate what it is we are seeking each mission to achieve.

6. Ms Forbes invited initial reactions to the revised vision and missions, where members highlighted:
 - The need to be able to rank the top priority actions within the 3 missions.
 - Further refinement needed on the vision as the current draft will not transform our economy. Looking to produce an economic strategy rather than a net zero strategy.
 - Care is needed on the language around just transition, recognising that this needs to be managed carefully to provide the confidence for businesses to invest in the transition to net zero. How this transition is managed could have major implications for the number of green jobs in the Scottish economy.
 - The missions could be narrower in focus.
 - Recognition that public support can play a key role in helping industry innovate and transform. Conditionality is very important and has been used successfully in other countries, such as the steel sector in Germany. This is also an important lever for ensuring fair work.
 - Need to keep open the “how” as often dynamic spillovers from certain innovations can lead to growth in other sectors.
7. Ms Forbes highlighted there will be an opportunity for members to continue the discussion on the revised vision and missions in the breakout groups, but recognised the importance of getting the vision right and that there will be a number of different ways of achieving the vision.
8. Mr McKee stressed the importance of fair work and the role the analysis can play in helping us understand the transformational change we need the Scottish economy to make. There is scope to make the missions much more granular.

3. Developing actions to deliver transformational change

9. Ms Forbes highlighted that a significant amount of additional analysis has been undertaken since the Council last met to inform the key challenges and opportunities facing Scotland. This was included in the background evidence slides members received in advance and will be used to inform the breakout discussions.
10. Each group will focus on three areas: feedback on the vision and outcomes; reflections on the challenges and opportunities identified; and discuss the key blockers and enablers.
11. For the breakout group chaired by Cornilius Chikwama on “Investing in and supporting industries of the future”, the main issues raised included:

Vision and Mission

- The vision needs to have people at the centre and be clear how the strategy will make a difference to people’s lives.

- It also needs to use clear language and avoid using terms that may be viewed as subjective.
- The missions need to relate to three key outcomes (a) strong economy; (b) net zero and (c) fair work. In so doing the role of talent in driving economic transformation should come out more strongly
- The vision and missions need also to have a stronger gender and/or equalities focus and should appeal to the various stakeholders who will need to work with Government in delivering the strategy.
- Strong impactful and aspirational marketing messages around the strategy is essential to encourage buy-in from business.

Challenges and Opportunities

- When looking at productivity as a challenge, we need to recognise that the relationship between pay and productivity has broken down and more need to be done to translate productivity into improvements in living standards
- It is important to pay close attention to Scotland's micro and small businesses and the challenges they face in achieving the outcomes we set. Most micro and small businesses cannot lead the way, they largely react to the market.
- When looking at skills, we need to be clear the purpose is to improve people's lives. We also need to look beyond technical skills, and start investing in non-technical aspects like building ambition and confidence. We also need to understand the skills challenge is not uniform, with Scotland performing well at the top end and but at the lower end of the skills spectrum.
- There was a request to look at labour market mobility data to understand where we are losing people to and to start thinking about how we create incentives to retain people in Scotland. Need to promote Scotland as a destination to attract the right skills
- Beed to consider how the challenges interact. Some people may be leaving Scotland because of challenges with mobilising capital. It takes a very long time to mobilise capital in Scotland when compared to London and the USA.
- Look at opportunities to develop environmental and social governance as a marketable commodity that we can use to sell Scotland.
- Transferring growth and prosperity outwith the major geographical sites of growth (Central Belt), is comparatively easier in Scotland than elsewhere in the rest of the UK.
- Need to ensure business support from the enterprise agencies and local authorities is able to deliver transformational change in the Scottish economy.

Enablers and Blockers

- Government needs to make tough choices about what it focuses on if it is to succeed. The economic strategy needs to be focused on a few critical things that will deliver impacts.

- Connectivity, in the sense of social capital, is a challenge for Scotland's emerging entrepreneurs. We need to think about how we network our new entrepreneurs.
- Support for new enterprise ideas / proposals to a stage where they can attract funding is crucial. There is no shortage of capital in Scotland, but need to develop a strong pipeline of credible projects to attract investors.

12. Richard Murray chaired the group on “New, Good & Green Jobs. Jobs that are satisfying, pay a high wage and are fair” and the key points raised included:

Vision and missions:

- Need to reflect the important contribution from rural and island economies.
- Have to look at the transition with excitement and be blunt about what needs to de-prioritised. The vision should be simplified into one clear statement of ambition which can be aspirational, such as “Scotland will be the best at....”. It needs to energise the nation to take action.
- Net zero and fair work are not specific economic outcomes but a necessary means for where we want the Scottish economy to end up. The IPPC report highlighted that we are heading towards a global catastrophe unless change happens now.
- The transformation needs to close wealth and income inequality gaps, and include the creation of jobs. Economic growth is a tool for human wellbeing/welfare not an end in itself.
- At the heart of the strategy is the wellbeing of the planet and its people.
- Does the current vision sufficiently differentiate Scotland from other countries?

Opportunities and challenges:

- Scotland is a small country and there is scope for it to become a demonstration economy where we can show the world what is possible in specific areas. For example, we can do more to exploit existing technologies (e.g. electric cars) and in planting more trees/rewilding parts of Scotland.
- For novel technologies such as green hydrogen, the Government can create the environment to help support business investment. This may require bold Government investment to help solve specific problems.
- Innovation and entrepreneurship are crucial for economic transition. Scotland is exemplar in floating wind – how can we transfer to high value manufacturing and ensure it delivers on jobs.
- Opportunity for enhancing wellbeing through the 4 day week.
- Securing the jobs which flow from transformational change, such as offshore wind, is vital as Scotland has missed similar opportunities in the past for onshore wind.
- For many people in rural areas, setting up a business is the main option available to them.
- Local authorities and schools have a key role to play in green retro-fitting which can help support place-based apprenticeships.
- Scope for more efficient public sector R&D by joining up current support.

Enablers/blockers

- There is a key role for skills as we currently have jobs which cannot be filled but at the same time have a significant number of children living in poverty.
- When creating future job opportunities, it is essential that we have a pipeline of skilled workers ready to take these roles. Further join-up is needed between schools and the further and higher education system. For example, the system is not currently feeding the high tech sectors. Have to link up with schools to create apprenticeship opportunities in these sectors.
- Access to capital and skills are stopping Scottish businesses taking the next step. Business R & D is not where it needs to be – need to invest in the right technologies to get the right financial returns.
- Greater role the education system can play in supporting future entrepreneurs, including the Young Person's Guarantee.
- Need to identify and address the many blockers which are preventing women from participating in the labour market (e.g. state nurseries which close early).
- Need to revisit the living wage as it is not enough to give a good level of standard living, secure employment and high value employment.
- Have appropriate support available to business throughout their lifecycle.
- Training needed of public sector works and agencies on fair work.
- Consider where the private sector can play a greater role in delivering the strategy (e.g. mentoring).

13. The key points raised in the group chaired by Kathy Johnston on “Delivering across Scotland in a national or regional way” included:

Vision and missions:

- Need to be more inspirational. Missions identify problems that require many different sectors to innovate and invest. Missions can be used to focus sectoral activity around without micro-managing sectors. Need to be clear what the strategy does that we have not had before.
- The diagram summarising the vision and missions is complex, tries to fit too many things in, and has a lot of words that are not potentially well-understood by the public. There is the need to be clear on what we want to achieve, what is new and what this framework will help us do which we couldn't do before.
- Important to check what is not mentioned, such as growth. Have to be clear that this is about growing the Scottish economy in a way that directs us towards sustainability and inclusion. It is about redirecting growth.

Challenges/Opportunities

- There was positive feedback on challenges identified, although they also capture wider infrastructure beyond digital.
- Reliance on public sector in some regions could be included and turned around as an opportunity to innovate public services. Remote working and repopulation are further opportunities which could be included.
- Recognised that local areas do not all want the same thing and we need to reflect that and consider what success would look like in these areas.

- There are a lot of regions but they have too few levers. There is a danger of spreading ourselves too thinly. Focus on existing assets we can build on within regions and prioritising the levers we use to deliver real impact.

Enablers/ blockers

- We live in a global economy and our ability to pull a single lever and have the impact we want to see is not straightforward.
- The strategy needs to signal commitment and medium-term stability of the landscape to private sector to ensure businesses have confidence to invest. Businesses in Scotland are well-placed to do this.
- When considering stopping things, reframe this as a positive.

14. Ms Forbes thanked members for their contributions and agreed that further work is needed to sharpen and simplify the vision and missions. She reiterated that the strategy has to lead to ruthless prioritisation, a focus on delivery, eliminate the key blockers to change and require leadership to work across boundaries.

15. Mr McKee added that there is a duty for officials to share more material and this will be facilitated through the new data room which has been set up.

4. Next Steps

16. Gary Gillespie outlined the next steps to take forward the actions from today's meeting and to capture the feedback from the stakeholder and public consultation. We will look to set up sub-groups in two weeks' time to keep momentum and support the development of the strategy.

5. Reflections and close

17. Ms Forbes thanked members again for participating in today's discussion and for their valuable contributions so far as we continue to develop a strategy which will support transformation change.

Advisory Council for Economic Transformation

1st Meeting – 22nd July 2021, 10:00 to 12:00

Venue: MS Teams Meeting

[Click here to join the meeting](#)

Or call in (audio only)

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Agenda

Time	Agenda item	Lead
10:00 – 10:05	Introduction	Ms Forbes
10:05 – 10:20	Remit of the Council	Ms Forbes
10:20 – 10:50	Presentation on developing the National Strategy for Economic Transformation	Ms Forbes, Mr McKee, Gary Gillespie
10:50 – 11:30	Breakout discussion	SG officials
11:30 – 11:45	Feedback from breakout groups	SG officials
11:45 – 11:55	Next Steps	Gary Gillespie
11:55 – 12:00	Reflections and close	Ms Forbes

For any queries please contact: BESTCovidHub@gov.scot

Advisory Council for Economic Transformation

2nd Meeting – 26th Aug 2021, 15:45 – 17:45

Venue: MS Teams Meeting

Agenda

Time	Agenda item	Lead
15:45 – 15:50	1. Introduction	Ms Forbes
15:50 – 16:10	2. Revised vision & outcomes, latest analysis and emerging themes from engagement Update the Council on revised vision and outcomes, the latest analysis and emerging themes from engagement	Ms Forbes Mr McKee/Gary Gillespie
16:10 – 17:35	3. Developing actions to deliver transformational change 3(a). Brief Presentation of work undertaken by SG 3(b). Breakout discussion (3 groups, organised by draft outcome – see Annex A) covering: <ul style="list-style-type: none">• Feedback on vision and outcomes• Reflections in challenges and opportunities identified• Discussion on blockers and enablers 3(c). Feedback key issues	Ms Forbes Gary Gillespie Lisa McDonald, Cornilius Chikwama and Richard Murray Lisa McDonald, Cornilius Chikwama and Richard Murray
17:35– 17:40	4. Next Steps	Gary Gillespie
17:40 – 17:45	5. Reflections and close	Ms Forbes

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Advisory Council for Economic Transformation

1st Meeting – 22 July 2021

Minutes

Attendees

Cabinet Secretary for Finance and Economy; Minister for Business Trade, Tourism and Enterprise; Mariana Mazzucato; John Alexander; Jackie Brierton; Lynne Cadenhead; Chris van der Kuyl; Sharon White; Nick Macpherson; Mark Blyth; Maggie McGinlay; Emma Parton; Sean McGrath; Mark Logan; Jamie Grant; Roz Foyer; and Anton Muscatelli.

Apologies: Graeme Roy

Supporting SG officials: Liz Ditchburn; Gary Gillespie; Cornelius Chikwama; Richard Murray.

1 Introductions

1. Ms Forbes welcomed members to the 1st meeting of the Advisory Council and thanked them for agreeing to help shape the 10 year National Strategy for Economic Transformation (“economic strategy”). The Council draws on a diverse range of business leaders and experts and members were invited to quickly introduce themselves.

2 Remit

2. Members received advanced sight of the draft remit of the Council and were content with this. Any subsequent feedback can be provided to the Secretariat of the Council.

3 Presentation on developing the National Strategy for Economic Transformation

3. Ms Forbes set out the emerging draft vision and strategic objectives for the economic strategy, and the governance arrangements for delivering the strategy. This will cut right across different policy areas and will involve engaging a wide range of stakeholders and experts. The economic strategy will not just be for the Scottish Government but for everyone in Scotland. Broad ownership is vital to ensure its successful implementation.
4. Mr McKee presented the initial analysis undertaken to support the development of the economic strategy, highlighting how the Scottish economy had changed over the past few decades, its key strengths and the range of initiatives in place to support the economy.

5. Ms Forbes invited members' initial reflections on the presentation, with the following points identified:

Vision and approach

- There was debate over the appropriateness of taking a sector-based approach, with this being adopted in past few decades but without major success. There is a danger that this may lead to a large number of actions.
- However, it was recognised that most business support is delivered on a sectoral basis and this approach is well understood by business, is how they are organised (e.g. Industry Leadership Groups) and is how issues such as pay and conditions are tackled.
- There is an opportunity to follow a mission-oriented approach where support can be offered to businesses of any sector provided they are helping to achieve these missions or challenges.
- Important to consider what policy levers are available to the Scottish Government and how they can be better utilised.
- Opportunity for Scotland to use Fair Work as one of its unique selling points to attract firms and people to Scotland.

Delivery

- Opportunities for both the public and third sector in health and social care.
- Recognition of the cluttered policy landscape and the need to ensure the economic strategy avoids simply adding another layer of complexity. There is the need to consider what deficiencies the different strategies are trying to address and what are the key blockers/bottlenecks hindering delivery.
- On delivery, there was concern over the capacity of the SG and its delivery partners to successfully implement the economic strategy to ensure it makes a real difference. This reiterates the need for prioritisation over a small number of key enablers for delivering transformation change.
- Scope to enhance the connections between different sectors in the Scottish economy. For example, the combined strength of our financial, technology and energy sectors is extremely powerful.
- Place-based connections have the potential to generate real added value.

Evidence and analysis

- Micro and small businesses account for a significant proportion of the Scottish business base but there are still a lack of data on them to help inform future decisions.
- Sectors is only one of many different lens through which we need to consider the challenges and opportunities facing the Scottish economy. Others include people, place, wellbeing, productivity, innovation and sustainability.
- Benefits of benchmarking against other countries, understanding how we can beat global competition to attract firms to Scotland and examining how certain regions/states have successfully transformed their economy.
- Need to map out our strengths and be clear on where we want the economy to be, including the industries of the future, and then support that transition.

6. Ms Forbes summarised the key themes raised during the discussion: (1) need for a clear assessment on where aspects of our economy need to do better; (2) what has impeded past implementation; (3) which approach (sectoral, mission, regional, people) will help us shift the dial on Scotland's economic performance; (4) relentless prioritisation is needed to work through the cluttered policy landscape; and (5) new ideas are welcome but need to consider delivery.

4 Breakout discussion

7. The Council then broke into two discussion groups, chaired by Liz Ditchburn and Gary Gillespie, to explore these issues in further detail and consider three questions: where we want to get to; how are we going to get there; and who will help us get there?
8. The main points raised in the group chaired by Liz Ditchburn included:

Where we want to get to?

- Further work is required to clarify the vision and how we measure it.
- Language is important in this respect, with concern that simply referring to wellbeing on its own is insufficient, especially when often what we are referring to is tackling poverty. Scope to go further around enhancing opportunities for all and closing the wealth gap.
- As a small economy, with an aging population, we cannot waste the talent we have. Many businesses, including start-ups, are unable to find the right people to fill vacancies.
- When considering where we want the Scottish economy to be, at the heart of this must be the role our workplace will play in such an economy.
- Important to articulate why Scotland is unique (i.e. why should a business choose to locate in Scotland).
- Scotland is not a small open economy but instead part of one of the largest free trade areas with the rest of the UK (the world's 6th largest economy). Understanding where the Scottish economy is, and the tools available, is vital before considering where we want the Scottish economy to be in the future.

How are we going to get there?

- Need to take a systems-approach and build on existing interconnections to help drive change in the economy.
- Understand the available levers for supporting the economy and how they interact (including with measures from the UK Government).
- While GDP has its limitations as a measure, there is no single measure to capture changes in wellbeing.
- The interconnections with the rest of the UK are very important, particularly around value chains. Need to consider how the economic strategy connects with UK policy, such as the UK Government's new innovation strategy.
- With around £13bn annual expenditure on public sector procurement, this is a key lever at our disposal.

- Driving improvements in productivity and innovation are still crucial, with scope to learn from international benchmarking.
- Vital to have the foundations in place first to secure transformational change (such as investment, infrastructure, education system). Build on the work undertaken on the 4 capitals (human, social, economic and nature).
- Recognition that implementation will differ across Scotland.
- Businesses are keen to take a different approach and are increasingly concerned about the wellbeing of their workforce.
- Rural businesses are facing increasing barriers to attracting and retaining workers. Lack of affordable housing is a real issue which has become a more significant factor with the rise in second homes during the pandemic.

9. The discussion in the group chaired by Gary Gillespie covered:

Where we want to get to?

- Initial focus of 10 years is appropriate, but consideration is needed on how this is built on in the longer term.
- Need clarity on our ambition first before examining how sectors can contribute to achieving this.

How will we get there?

- The importance of place, recognising different opportunities across parts of Scotland and the need to align the skills provision to ensure regions can seize these economic opportunities. The pandemic has demonstrated that running businesses in rural areas is feasible.
- A thriving economy needs businesses of all shapes and sizes and we need to ensure we realise the full potential from our small businesses which make up around 80% of Scotland's business base.
- There is significant economic opportunity from enhancing the contribution women make to the Scottish economy but we need to reconsider how jobs will be done in the future (e.g. greater trust from employers that work will be done but in different ways).
- In the long-run, talent and skills will drive change. Need to ensure we are able to attract and retain inward investment.
- The focus on small businesses should be centred on how to enable them to be sustainable and resilient.
- There was a missed opportunity around not including greater conditionality in business support during the pandemic.
- Concentrate on infrastructure investment that will make a real difference.
- Education is critical and a national coalition for skills, education, universities and innovation that has cross-party support can deliver transformational change. This includes supporting in-work training to help enhance managerial skills in Scottish businesses.
- To what extent will fair work be delivered without active intervention even if we create entrepreneurial high-growth businesses?

5 Next Steps

Gary Gillespie outlined the next steps, with further analytical work on the 3 scenarios identified and consideration of the data and measurement points raised by the Council. Officials will look to establish a sub group of the Council to consider the analysis further.

Keen to engage directly with members and Gary's team is there to support them in their engagement with their own networks to bring back further ideas for the economic strategy.

The timeline for the development of the economic strategy was discussed and concern raised over the tight timescales. Ms Forbes recognised this and stressed this will help focus minds.

6 Reflections and close

Ms Forbes thanked members for participating in the discussion which reiterated that while there is a lot of work ahead of us, we can deliver transformational change to the Scottish economy.