

Documents released

Document 1 – e-mail

From: Rollison R (Richard)

Sent: 06 May 2021 10:41

To: 'Tom Hunter' [redacted]; 'Ewan Hunter' [redacted]

Cc: Gillespie G (Gary) <Gary.Gillespie@gov.scot>; [redacted]; McDonald L (Lisa) <Lisa.McDonald@gov.scot>; McAllan M (Mary) <Mary.McAllan@gov.scot>

Subject: Raising Scotland's Economic Growth rate

Sir Tom/Ewan

I trust you are both well.

Please find attached an initial 'officials' response to the Hunter Foundation's report on Raising Scotland's Economic Growth Rate. At this stage, this is focussed on identifying where existing SG policies and activities relate to the finding and recommendations in the report. It will be for the incoming administration and new Ministers to consider more fully.

We'd be keen to catch up with yourselves and Oxford Economics to discuss the analysis and recommendations in more detail.

Regards

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Hunter
Foundation.docx

Document 2 – letter attached to e-mail in Document 1

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Sir Tom Hunter
The Hunter Foundation
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Your Reference – 202100190999

6 May 2021

Dear Sir Tom,

You will recall that the Cabinet Secretary for Economy, Fair Work and Culture asked me to act as a key senior liaison point for your engagement with the Scottish Government. I have had some useful discussions with Ewan Hunter on Edge and wider issues relating to the Government's relationship with the entrepreneurial and business community over the last few months and am now writing in response to your letter of 7 April to the First Minister, the Cabinet Secretary for the Economy, Fair Work and Culture, the Cabinet Secretary for Finance, and the Minister for Business, Fair Work and Skills, in relation to the Hunter Foundation's report on 'Raising Scotland's Economic Growth Rate'.

As we are in the pre-election period, I am replying as an official on behalf of the Scottish Government and, at this stage, thought it would be helpful to outline how existing Scottish Government policies and activity relate to some of the report's main findings and recommendations. It will be for an incoming administration and new Ministers to respond more fully to the report's findings and recommendations.

The Scottish Government has set out steps to address many of the issues that the report raises. Since the beginning of the COVID crisis, various publications have set out measures to develop our recovery efforts across different sectors and parts of the economy with a common thread of aiming to deliver progress against the Scottish Government's longer term strategic aims, including the delivery of a wellbeing economy and a just transition to a net zero future. These publications include:

[Economic Recovery Implementation Plan: Scottish Government response to the Advisory Group on Economic Recovery](#)

Protecting Scotland, Renewing Scotland: The Government's Programme for Scotland 2020-2021

Securing a green recovery on a path to net zero: climate change plan 2018–2032 - update

A National Mission with Local Impact: Infrastructure Investment Plan for Scotland 2021-22 to 2025-26

Investing for jobs: Capital Spending Review 2021-2022 to 2025-2026

In terms of specific points, the 'Raising Scotland's Economic Growth Rate' report raises the complexity of the current policy landscape in Scotland, added to by the interplay of Scottish and UK policy aims and instruments.

The Scottish Government engages frequently with the UK Government and other Devolved Administrations at both ministerial and official level to create greater awareness of shared policy goals, and harmonisation where appropriate.

The report outlines potential changes to the tax system, through reviewing the Small Business Bonus Scheme, introducing new local taxes and a tourism tax to broaden out the existing tax base. We understand that there is a clear need to accelerate the review of the existing Fiscal Framework to deliver a robust overall funding approach in order to address economic recovery and resiliency.

On the Small Business Bonus Scheme (SBBS), the Scottish Government commissioned the Fraser of Allander Institute to carry out a review of the Scheme in 2019 to consider the impact on relief recipients as well as whether it could be better targeted to support local investment, employment and growth. The SBBS Review has been delayed due to COVID and is likely to report in 2022.

The Scottish Government also continues to press the UKG on the issue of VAT within the Tourism and Hospitality sectors.

The Scottish Government also recognises the heavy impact that Brexit has had on the economy, specifically on the concerns raised in the report on the need for replacements for EU policies which provided support to Scotland's regions.

Control of the replacement for the European Structural Funds, the Shared Prosperity Fund, will be reserved to the UK Government - bypassing the Scottish Government. The March UK Budget announced that a number of new funds, including the £4.8bn Levelling Up Fund, will be delivered in a similar way. This approach has been enabled by the UK Internal Market Act and curtails the ability of the Scottish Government to directly target and prioritise financial interventions that take into account the specific characteristics of Scotland's economy. The Scottish Government is focused on continuing its significant convening and engagement activity to ensure that any replacements for the outgoing EU funds are structured in

such a way as to provide similar levels of benefit to Scotland's economy and will not disproportionately impact Scotland's labour market.

The report also focuses on the need to shift spending towards economic development. The Scottish Government is working towards a more distributed regional model to support economic recovery. For example, every region in Scotland now has a firm investment commitment to a City Region or Regional Growth Deal.

The Report also highlights the continued need to capitalise on Scotland's current success in attracting inward investment, and to leverage its strong ability (relative to English regions), by aligning policies towards the goal of making the country more attractive to inward investors. This work is already a priority and has continued throughout the COVID period with the publication of Shaping Scotland's Economy, Scotland's Inward Investment Plan.

The report also outlines the potential benefits that could be accrued by encouraging on-shoring by Scottish companies including potentially stronger supply chains and shortened lead times for customers. Such an approach has been important in the Government's work on COVID where the benefits of shorter, more resilient supply chains have been reflected in the early successes in PPE manufacture and supply in Scotland. We are now working with our enterprise and skills agencies to explore how it can be applied to other sectors and sub-sectors.

The role of the Scottish National Investment Bank and the extent to which it should shift its focus towards productivity goals is also highlighted in the report. This is already a priority for the Bank which aims to 'enable people to flourish by investing in innovation which helps businesses and organisations increase productivity, raise skill levels and develop a healthier population'.

The report also highlights the need for more support for start-ups and scale-ups as key to securing future business opportunities as well as driving greater levels of innovation. The report suggests that investment in growth may be better targeted through investments in people and developing skills to support these future growth opportunities. This intention is well aligned to a number of existing interventions that the Scottish Government has committed to including the Transition Training Fund as well as targeted skills action plans such as the Climate Emergency Skills action plan.

Support for innovation is one of SNIB's three core missions – with a commitment to invest in innovation and industries of the future for a healthier, more resilient and productive population. Additionally, the investments which have been committed through our Climate Change Plan will invest £180m in the Emerging Energy Technology Fund to support innovation in key energy technologies such as Hydrogen and Carbon Capture Utilisation and Storage.

Finally, the report focuses on the critical role of education and skills in Scotland's economic recovery and the need to focus on promoting and securing the jobs of the future and on ensuring that people have the skills to fulfil them.

The Scottish Government's response to recovery acknowledges that the post-COVID economy could have a very different sectoral makeup, and that longer term structural

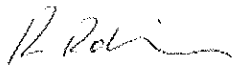
changes, such as the transition to a net zero economy, will see a shift in the types of jobs available and the relative size of sectors within Scotland's economy.

Programmes such as the National Transition Training Fund seek to ensure that as sectors adapt to the post-COVID economy there is support to help people upskill and move into new future-facing jobs. Similarly, the Young Person's Guarantee, in providing opportunities for all of Scotland's young people, will help to ensure that they are not disproportionately impacted by COVID striking at a crucial time in their educational and career development.

I trust this initial response is helpful in providing an overview of key Scottish Government policies and actions related to the report's recommendations.

We would welcome the opportunity to meet with you and Oxford Economics to discuss the report's analysis and recommendations. My PA, Mags Nicholson (contactable at DirectorDITI@gov.scot), can help bring together a group of senior Government officials and find a date for that.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Rollison', with a stylized flourish at the end.

Richard Rollison
Director for Trade and International Investment

