

BRIEFING FOR THE MINISTER FOR INDEPENDENCE

What	Meeting with the Scottish Currency Group Finance and Banking Committee
Where/when	Tuesday 5 December 2023 15:00 – 15:45 MS Teams
Who	<ul style="list-style-type: none"> • Ian Stewart, Chairman SCG F&B Committee • John Randall, Secretary SCG F&B Committee • Lynne Copland, Member of SCG F&B Committee, Convenor SCG Campaign Team • Cath Jones, Member of SCG F&B Committee and SCG Campaign Team
Why	Meeting to discuss the work and recommendations of the Scottish Currency Group.
Supporting officials	Ewan Crawford (spAds), [Redacted] (Constitutional Futures Division), Kathy Johnston (OCEA), Lucy O' Carroll (Fiscal Policy and Constitution), [Redacted] (Constitutional Futures Division)
Media/social media	N/A
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ANNEX A – AGENDA

- 1. Introductions**
- 2. Work and Recommendations of Scottish Currency Group**
- 3. A.O.B.**

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ANNEX B – ABOUT SCOTTISH CURRENCY GROUP

Scottish Currency Group describe themselves as “people working towards the introduction of a Scottish currency 'as soon as practicable' after independence day.”

The Scottish Currency Group draws upon a variety of economic advisors and expertise:

- Committee members include economists, senior academics and have senior banking, pensions and financial services experience.
- U.K. and international banking, currency, accountancy and tax experts.
- Senior high profile US and U.K. Government policy experienced macroeconomists and analysts.
- As part of the development of their currency plan they have also liaised with officials at the European Central Bank.

Formal advisors to the group include:

- Dr Robbie Mochrie, Senior Lecturer in Economics at Heriot Watt. Convener of the SCG Financial Sector Regulation working group.
- Duncan McCann, New Economics Foundation, London.
- Professor Stephanie Kelton, Stony Brook University and economics adviser to Bernie Sanders.
- Professor Richard Murphy - Co-founder of the Green New Deal, campaigner for Tax Justice and author of 'The Joy of Tax'.
- Dr Craig Dalzell, Commonweal.
- Professor Warren Mosler - former hedge fund founder / manager, now visiting Economics Professor at various universities.

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ANNEX C – ATTENDEES

- Ian Stewart, Chairman of Scottish Currency Group Finance & Banking Committee. Retired senior banker, former director of credit card companies, Fellow of the Institute of Bankers in Scotland.
- John Randall, Secretary of Scottish Currency Group Finance & Banking Committee, economist. Retired Scottish Office economist and senior civil servant, former Registrar General for Scotland
- Lynne Copland, Member of Scottish Currency Group Finance & Banking Committee. Scientist, trade union experience, member of SNP Policy Development Committee, chair of Scottish Currency Group Campaign Team
- Cath Jones, Member of Scottish Currency Group Finance & Banking Committee and Scottish Currency Group Campaign Team. Graduate in Politics and Social Sciences. Moderator of Scottish Currency Group.

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ANNEX D - SUMMARY OF SCOTTISH CURRENCY GROUP PROPOSALS

The Scottish Currency Group, comprising pro-independence experts in finance, banking, and public administration, published further advice in March 2023 in its *'The Road to the Scottish Currency'* series containing advice to the SNP leadership and Scottish Government on the priorities for the present Scottish Government on currency policy in an independent Scotland.

The report, which responds to the currency proposals in the Scottish Government paper *'A stronger economy with independence'*, was prepared by a Working Group chaired by Ian Stewart, a retired senior banker.

Key Points

While the Group welcomes the commitment to introducing a Scottish Pound 'as soon as practicable' after independence, the Group believe other aspects of the proposals contain serious flaws which, if not remedied, could jeopardise realisation of the commendable ambitions set out in the paper.

Their key points and recommendations are as follows:

- The present Scottish Government should acknowledge that it cannot (and should not try) to tie the hands of the post-independence Scottish Government by setting out criteria or requirements for the timing of the introduction of the Scottish Pound.
- Moreover, if the prospectus for the next referendum or election plebiscite were to propose that Scotland should keep sterling for a significant time following independence, there is a serious political risk that a hostile UK Government could for tactical reasons announce prior to the vote that it (or the Bank of England) would not co-operate in making the necessary bank payment arrangements.
- The priority of the present Scottish Government should be put in place all arrangements prior to formal independence to ensure that the post-independence Government has the option to introduce the Scottish Pound immediately or very soon after independence should it decide to do so. This is feasible, but will require the early establishment of a Scottish Central Bank and intensive associated work in conjunction with external partners during and possibly starting before the transition period which would follow a Yes vote.
- The present Scottish Government should also undertake a major publicity campaign as a matter of urgency prior to the plebiscite to raise awareness amongst ordinary people of the economic and social benefits of a Scottish Pound and to reassure them on frequently asked questions.

TRANSITION TO A SCOTTISH CURRENCY

The Scottish Currency Group has proposed the following tests for transition to a Scottish currency

- Test 1: Is the Bill to establish a Scottish Reserve Bank drafted and ready?
- Test 2: Will new notes and coins be ready in time?
- Test 3: Have we designed, implemented and tested a new Scottish Bank payment system?
- Test 4: Have we designed / executed a Public Information Campaign?

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- Test 5: Are the premises, staff, infrastructure, etc., for the Scottish Reserve Bank in place?
- Test 6: Have we identified and developed a plan for the financial regulation that will be needed for our financial institutions, etc?
- Test 7: Has a (sterling) Pensioner Guarantee been set up?

The Scottish Government position is that there will be a managed transition to a Scottish pound

- We propose to establish a Scottish pound – the policy objective of the current Scottish Government – as soon as practicable through a careful, managed and responsible transition. The decision about when to do this would be taken by the Scottish Parliament, guided by transparent criteria and economic conditions, rather than a fixed timetable.
- Decisions about the Scottish pound would also be made by the elected government and parliament at that time. Those would include the precise form of the currency regime for a Scottish pound – for example, a fixed or floating exchange rate – informed by analysis and advice from the Scottish Central Bank.

The Scottish Government propose that three broad requirements should inform the introduction of a Scottish pound:

- that the institutional structure – the key fiscal, financial and monetary institutions – is in place and can be extended to take on additional functions to support the introduction of a Scottish pound
- that there is market confidence and credibility in the macroeconomic framework to support a transition
- that change is in the economic interests of Scotland, and meets the macroeconomic objectives of improved competitiveness and enhanced economic resilience.

The Scottish Government propose three criteria for the transition to a Scottish pound:

- That the Scottish Central Bank has established its credibility. The phase of continued use of sterling would allow time for new institutions to be created and for these institutions to establish a track record
- That foreign exchange reserves and sterling reserves are sufficient
- That Scotland is fiscally sustainable.
- In addition, rigorous analysis of trends in trade and investment patterns, the performance of the economy and the needs of Scottish residents and businesses should all inform the decision on when the transition to a Scottish pound takes place.

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ANNEX E – TOP LINES

ECONOMIC & FISCAL IMPLICATIONS

There is no reason whatsoever that Scotland could not emulate the success of comparable independent European countries that are far wealthier per head than the UK.

- As an independent member of the EU, free from the damage of Brexit, Scotland would be part of the huge Single Market, which by population is seven times the size of the UK.
- Norway's net national income per head is around 61% higher than the UK's, Denmark's 35%, Ireland's 24%, Netherlands' 27% and Austria's 13% higher. (Source: OECD as at October 2023, all figures for 2021 and on a purchasing power parity basis).
- Through membership of the EU, independent Ireland has dramatically reduced its trade dependence on the UK, diversifying into Europe and in the process its national income per head has overtaken the UK's.

DEFICIT & DEBT

GERS represents Scotland's fiscal position under current constitutional arrangements.

- We have always been clear that the GERS figures show Scotland's finances as part of the UK, not as an independent country.
- **QUOTE:** *"If the very purpose of independence is to take different choices about the type of economy and society that we live in, then it is possible that these a set of accounts based upon the world today could look different, over the long term, in an independent Scotland."* (Fraser of Allander, 16 August)

An independent Scotland's fiscal position would depend on a number of factors – including the policy choices made by future Scottish Governments, growth seen in advance of independence and the level of spending Scotland chose to allocate to areas such as defence.

- GERS 2022-23 assigns Scotland a population share of UK reserved debt interest (£9.2bn) and defence spending (£4.5bn).
- This takes no account of the £415bn in revenue the UK Government has received from North Sea production in real terms over the past sixty years.

FUTURE OIL & GAS REVENUE

The Scottish Government has outlined plans to set up a dedicated Building a New Scotland Fund to invest up to £20bn over the first decade of an independent Scotland to lay the foundations for a green, fair and net zero economy.

- This would be funded from oil and gas revenues and other windfall income, and where necessary from borrowing.
- The UK continues to benefit from Scotland's natural wealth.

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- The £6.9 billion increase in oil and gas revenue in 2022-23 is more than enough to cover the cost of living support, and shows how Scotland would be much better placed to respond to the cost crisis as an independent country.
- The economy prospectus paper recognises that oil and gas production will decline over the longer term and that such revenues are volatile.
- It also makes clear that in normal times revenues generated from oil and gas taxation should be separated from day-to-day resource spending and used to invest for the long-term benefit of the Scottish people.

ECONOMY

Scotland outperforms the UK economy on GDP per person, productivity, earnings growth, foreign direct investment and international exports.

Economy

- Accounting for population growth, since 2007 GDP per person has grown by 10% in Scotland, compared to 6% in the UK (QNAS, 1 November)
- Since 2007, productivity in Scotland has grown at an average annual rate of 1.0% per year, compared to the UK average of 0.5%. (ONS: Output per hour worked, next release: 15 January 2024)
- Wages for full time employees rose faster in Scotland than in the UK between 2022 and 2023, with gross median weekly earnings up by 9.7% in Scotland, compared to 6.2% for the UK. (ONS: ASHE 2023, 1 November)

Foreign Direct Investment

- Scotland's FDI has been growing faster compared to both the UK and Europe in recent years.
- The latest DBT data, published on 27 June 2023, shows that inward investment projects in Scotland rose by 9% in 2022-23, compared to a 4% increase across the UK.
- The 2023 EY Attractiveness Survey shows that the number of FDI projects in Scotland in 2022 increased by 3% to a record high of 126. This compared with growth of 1% across Europe and a fall of 6% in the UK. Scotland has been the top destination in the UK for foreign direct investment outside London for 8 years.

Trade

- Latest Export Statistics Scotland data demonstrate just how challenging the pandemic was and Brexit continues to be for Scottish trade. Despite this, Scottish businesses are recovering, with 6% growth in international exports in 2021 compared to 2020. The latest HMRC trade statistics show that this recovery is continuing. Scotland's international goods exports, excluding oil and gas, grew by 13% in the year to June 2023 which is greater than the 12% growth experienced by the UK as a whole. (Source: HMRC Regional Trade Statistics, 14 September, update due 14 December 2023; Export Statistics Scotland, 29 November).

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TAX

An independent Scottish government would have the power to create a modern and efficient tax system in Scotland.

- With some control of income tax and full control over other taxes such as Land and Buildings Transaction Tax, the Scottish Government has already introduced a tax system that is fairer and more progressive than that of the UK.
- It would be up to the government of an independent Scotland to decide how it would meet its fiscal rules and the appropriate balance of tax and spend.
- We would liaise with the Westminster Government over the transition to independence and during the establishment of key institutions, including strengthening the role of Revenue Scotland as Scotland's tax collection agency.

CURRENCY

Some of the most successful European countries comparable to Scotland — like Denmark, Sweden, Switzerland, and Norway — have their own currencies.

- The introduction of the Scottish pound would not prevent sterling, or other currencies, from being used as is the case now.

Scotland recognises the requirements of EU membership and we stand ready to meet those.

- Our proposal is that Scotland should establish its own currency – a Scottish pound - as soon as practicable through a careful, managed and responsible transition.
- We would be guided by criteria and economic conditions rather than a fixed timescale. Scotland could apply for membership while using sterling. There is no requirement for a country to have its own currency in order to apply for EU membership.
- The process of establishing our own currency would be closely aligned with the process of re-joining the EU.
- The change would take place as soon as practicable through a careful, managed and responsible transition, guided by criteria and economic conditions rather than a fixed timetable.

PENSIONS

The position on pensions is the same as was set out [p429] in the 2013 White Paper.

- *“For those people living and working in Scotland at the time of independence, the UK pension entitlement they have accrued prior to independence will become their Scottish State Pension entitlement. Any pension entitlement accrued in Scotland after independence will also form part of that Scottish State Pension; and on retirement, the Scottish State Pension will be paid by the Scottish Government.”*
- Clearly, following a vote for independence, the Scottish and UK Governments would open negotiations on a range of issues. This would cover distribution of existing UK liabilities and assets, including those relating to pensions.

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MANDATE

People in Scotland have given a clear mandate for a referendum on independence.

- In repeated elections both to the Scottish Parliament and to Westminster – in 2016, 2017, 2019 and most recently in May 2021 – people in Scotland have elected majorities of MSPs and MPs that support a referendum.
- In May 2021, 72 of the 129 MSPs were elected on manifestos that commit them to a referendum on Scottish independence during this Parliament.
- The First Minister is pleased that a majority of members elected to this Parliament by the people of Scotland backed a motion in January 2023 calling on the UK Government to respect the right of people in Scotland to choose their constitutional future.
- The First Minister stands ready to engage at any point with the UK Government to begin talks about the change to the Scottish Parliament's powers to allow the Scottish people to choose their future.
- In fact, polling also shows considerably more people believe that we should not need permission from the UK Government to hold a referendum at all, than think that we should need to (Source: YouGov, June 2023 – 50% say should not need permission; 40% say should; 10% don't know).

The case for the people of Scotland to be given the choice and chance of a better future is becoming stronger every day.

- We can do better than the failed Westminster economic model which has given us the largest fall in living standards on record and a £8,300 living standards gap with our peers.
 - The UK's inflation rate, although falling, remains high at 4.6% in October, still higher than France and Germany (Source: ONS, Consumer Price Index, 15 November);
 - Food inflation – which disproportionately affects low income households - also continues to be high at 10.1%.
 - Millions face eye-watering increases in their housing costs.
 - The OBR forecasting that living standards in 2024-25 will be 3.5% lower than their pre-pandemic level – the largest reduction since ONS records began in the 1950s (23 Nov).
 - The Resolution Foundation's saying that the UK's stagnant economy has cost workers more than £10,000 a year in lost wages: "Were Britain to close the average income and inequality gap to its peers of Australia, Canada, France, Germany and the Netherlands, the typical household would be 25 per cent (£8,300) better off."(RF, 4 Dec)
- Indeed, the Autumn Statement delivered the 'worst case scenario' for Scotland's finances and failed to live up to the challenges posed by the cost of living and climate crises.

INDEPENDENCE IN EU AND BORDERS

There is a clear process for joining the EU, provided for in Article 49 of the Treaty of the European Union. We understand and respect the conditions and process which an independent Scotland would be required to meet and follow.

- Where possible and appropriate, Scotland is continuing to align with EU law which will ease the path for Scotland's re-accession to the EU as an independent state.
- The terms of membership will be subject to negotiations with the European Commission, the European Parliament and EU member states.
- Commentator Anthony Salamone, from the Edinburgh based consultancy European Merchants, said: **[QUOTE]** *"On the whole, it is not surprising that the Scottish Government has to date had little or no formal correspondence with the EU institutions or member states about an independent Scotland joining the bloc... We can say today that an independent Scotland could join the EU, by following the normal membership procedure"* (The Herald, 06/03/22)
- Unlike the EU referendum in 2016, voters will have the information available to allow them to understand what they are voting for in good time before the referendum takes place.

People in Scotland voted overwhelmingly to stay in the EU and polls show consistently high support for EU membership.

- Polls consistently show that people in Scotland are overwhelmingly in favour of being in the EU. Just last month the Scottish Election Study found that those in Scotland who think Britain was wrong to leave the EU outnumber those who think it was right to by three to one (68% said Britain was wrong to leave; 22% right to leave; 10% didn't know)(YouGov for Scottish Election Study, fieldwork 20-25 October 2023).
- And the most recent poll on how people would vote in a second referendum found 67% saying they would vote to remain in the EU (excluding don't knows) (Survation, fieldwork 10-12 Jan 2023)
- Scotland would be in an unprecedented situation: no other country has been taken out of the EU and its single market against its will, and there are no precedents of countries applying to re-join the EU.

Scotland would seek to join the EU as soon as possible after independence.

- Given the merit-based nature of the EU accession process, Scotland would be well placed to fulfil the requirements smoothly and quickly.
- Having been inside the EU for 47 years, and sharing its values and aspirations, Scotland is clearly well-placed to re-join the EU.
- The average time to join the EU is under five years (from the opening of the accession negotiations); Austria, Finland and Sweden joined in under two years.
- Donald Tusk, former European Council president, said **[QUOTE]:** *"I am very Scottish, especially after Brexit. Emotionally I have no doubt that everyone will be enthusiastic here in Brussels, and more generally in Europe..."* (BBC's Andrew Marr Show, 02/02/2020).
- Lord Kerr, the former UK ambassador to the EU, author of Article 50 said **[QUOTE]:** *"The good news is that it would be a very swift accession negotiation..... People who are declared eligible to join can join as soon as they're*

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ready to accept the whole of the acquis. Since the Scots would, presumably ... still be applying something very close to the existing acquis, they'd be in very fast." (Buzzfeed News, 30/10/2017).

There is no maximum deficit threshold for countries seeking to join the EU.

- The Stability and Growth Pact (SGP), places a requirement on member states once they have joined the EU in relation to budgetary deficit and public debt levels (a deficit of 3 per cent of GDP and overall debt 60 per cent of GDP). But these are not a condition of joining the EU.
- Other countries, such as Croatia, Poland and Hungary have joined the EU with deficits in excess of that required for member states by the SGP and many existing EU member states have also run higher deficits than that set out in the Pact.
- The Stability and Growth Pact is currently suspended but the expectation is that it may in future be more flexible.

BORDERS

Within the EU, the borders that were put up because of Brexit would come down between Scotland and the 27 countries of the EU.

- The UK Government's decision to take Scotland out of the EU Single Market is damaging Scottish trade and the economy. The best thing for Scottish trade is independence and re-joining the EU.
- The benefits of EU membership would be felt by business and, especially, by exporters.
- The OBR expect UK GDP to be 4% lower as a result of Brexit in the long run. This equates to around £100bn in output and £40bn in public revenues lost as a consequence of Brexit each and every year.
- In Scotland, this equates to a cut in public revenues of around £3bn per year.
- The new modelling by the National Institute of Economic and Social Research suggest that UK real GDP was already 2% to 3% lower in 2023 due to Brexit compared to continued EU membership.

BORDER WITH rUK –

This is only an issue because of Brexit and the UK Government's disastrous hard Brexit policy.

- Under an arrangement called the Common Travel Area, people would be able to move freely across the UK and Ireland as now. It is in all parties' interests for that to continue in the event of Scottish independence.
- Nobody would seriously argue that Scotland would not remain in the Common Travel Area. But in addition people in Scotland will regain their free movement rights across the EU.
- While we will need to work through the regulatory and customs issues in a way that will fulfil the requirements of EU membership, the benefits of being in a marketplace around seven times the size of the UK outweigh the challenges.
- As an EU member state in its own right Ireland diversified its trade and became substantially wealthier.

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REFERENDUM

The Scottish Government accepts and respects the Supreme Court's judgment.

- The Supreme Court was not asked to decide, and cannot decide, whether the Scottish Parliament should have the power to hold an independence referendum.
- All it was asked to rule on was the law relating to one route to a referendum: legislation in the Scottish Parliament.
- Responsibility for this outcome lies with Westminster and the design of the devolution legislation, not with the Supreme Court.

The First Minister made clear that he is ready and willing to negotiate the terms of a section 30 order with the Prime Minister.

- The UK Government has already accepted that a mandate for an independence referendum can be given to the Scottish Parliament. It accepted that in 2011 and agreed the process that led to the 2014 Referendum.
- If people in Scotland's right to choose is to mean anything, it must allow the people of Scotland, as an electorate, to decide to have a referendum.

Last year's Supreme Court case has demonstrated the weakness of the UK's constitution.

- No matter how the people of Scotland vote, or how often they elect parliaments that support a referendum and support independence, they can be told 'no' by the UK Prime Minister.
- This cannot be right, and there are few stronger or more powerful arguments for independence than that.
- In a voluntary union, one part doesn't have to rely on the agreement of another before it is allowed to think about leaving.

IMPACT OF BREXIT ON DEVOLUTION

- This summer (June 23) the Scottish Government published a paper setting out the impact on the devolution settlement and the Scottish Parliament of key UKG decisions since Brexit.
- We need to move beyond the idea that the threats to devolution we have identified are somehow manufactured grievance. **The threat to the powers of the Scottish Parliament and the radical undermining of the institutions of devolution are real and urgent** – they should concern every member of the Parliament, regardless of party allegiance.
- **Our concerns are shared by the Welsh Government** – is the UK Government really arguing that it too is simply fomenting nationalist grievance?
- Since 2016 we have **seen a range of actions from the UK Government which have damaged devolution** and the powers of the Scottish Parliament.
- The UK Government has passed legislation – without the Scottish Parliament's agreement – that **reduces the Parliament's powers, and allows UK Ministers to make further changes unilaterally**, such as making provision of healthcare subject to the UK Internal Market Act.
- It has given powers to UK Ministers **to intervene directly in matters within the responsibilities of the Scottish Parliament, again without agreement**

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- It has **undermined the Sewel Convention**, that the Westminster Parliament will not normally legislate with regard to devolved matters without the consent of the Scottish Parliament
- It has **blocked legislation on devolved matters passed by the Scottish Parliament** for the first time
- It has proceeded with **a form of Brexit which the majority of Scotland did not vote for, with major adverse impacts on Scotland's interests and economy**
- It has taken forward legislation that **puts at risk EU laws on environmental protection, food standards** and other devolved matters
- It has taken a direct role in devolved policy and decisions on public spending on devolved matters, **bypassing the Scottish Parliament**
- It has **reduced funding available to Scotland** compared to that expected from equivalent EU funding schemes, potentially by some hundreds of millions
- There was always a risk that the Brexit process would result in greater centralisation in Whitehall and Westminster. Fundamental changes can now be seen in the relationship between the governments and the parliaments at Westminster and Holyrood, through **actions affecting devolved matters which have been opposed by the Scottish Parliament.**
- Instead of recognising the role of Scotland's devolved democratic institutions and respecting their choices, or extending an approach based on agreement and consensus, the UK Government's approach increasingly **asserts Westminster's authority over the Scottish Parliament and Government, something not previously seen.**

INTERGOVERNMENTAL RELATIONS

- The Scottish Government remains committed to fostering a relationship with the UK Government based on mutual respect.
- For example, there has been pragmatic cooperation on issues such as green freeports, Covid and the Ukraine resettlement scheme. But this needs to be a relationship based on mutual respect and in spite of some procedural improvements as a result of the new IGR machinery, there has been no change in the overall approach of the UK Government's approach to undermining the devolution settlement people in Scotland voted overwhelmingly for in 1997 and have supported at every election since.
- There have also been modest improvements in the conduct and frequency of the bilateral Ministerial relationship following the appointment of the current PM, e.g. FM/PM call on the first day of FM's appointment (28 March), with a follow-up meeting a month later (on 24 April) during FM's first trip to London.
- The respective lead IGR Ministers (DFM and Mr Gove) also had an early bilateral meeting on 28 April and last met at the Finance Interministerial Standing Committee (F:ISC) on 20 September, the agenda covered economic and fiscal priorities.
- However, there has been no change to the UKG's overall approach to devolution, which has been to erode and undermine the devolution settlement and the powers and responsibilities of the Scottish Parliament.
- So while improved inter-governmental structures are welcome nothing less than a change of attitude and behaviour is required from the UK Government if there is to be a genuine improvement in the relationship between governments.

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BACKGROUND ON FORMAL IGR MACHINERY

- In January 2022, the UK and devolved governments agreed to use a new, three-tier structure comprising^[1]:
- a Prime Minister and Heads of Devolved Governments Council (top tier);
- engagement on cross-cutting issues, including an Interministerial Standing Committee (IMSC) and Finance: Interministerial Standing Committee (F:ISC) for financial matters (these meetings are the middle tier);
- portfolio engagement at official and ministerial level, including Interministerial Groups by portfolio (bottom tier).
- These structures are underpinned by a set of principles for collaborative working and include a fairer and more transparent approach to dispute resolution.
- The first meeting of the Prime Minister and Heads of Devolved Governments Council took place in the margins of the BIC Summit in November 2022. There is no firm date proposed for the next one.

^[1][The Review of Intergovernmental Relations. January 2022](#)

ANNEX F – OVERVIEW OF A STRONGER ECONOMY WITH INDEPENDENCE

- **We would use the full powers of independence to build an inclusive, fair, wellbeing economy that works for everyone in Scotland.** A successful economy can help people live happier, healthier and more fulfilling lives.
- **The UK economy is not working for Scotland.** It is delivering low productivity, stagnant wages, high inequality and high poverty rates.
- **Independent European countries comparable to Scotland outperform the UK on key indicators and are happier, wealthier and fairer than the UK.** In 2021, they had national incomes that were, on average, £14,000 per person higher than in Scotland.
- **UK policy is driving inflation and making the cost-of-living crisis worse.** Financial markets are questioning Westminster's economic competence.
- **Scotland's economy has great strengths and enormous potential.** We have the skilled people, the dynamic businesses, and the natural resources to be just as successful as comparable independent European countries.
- **We would manage our finances responsibly.** We propose that an independent Scotland would continue to use sterling until the time is right to introduce the Scottish pound. Westminster has no veto on Scotland using sterling. Work to set up the Scottish Central Bank would begin immediately after a vote for independence. The Scottish Central Bank would focus on ensuring financial stability initially and once the Scottish pound is introduced, its role would expand to manage the new currency.
- **The Building a New Scotland Fund would give an independent Scotland the strongest start:** This £20bn Fund would reinvest oil and gas revenues, alongside other windfall income, in the Scottish economy. It would invest in major infrastructure projects over the first decade of independence. Those would include projects to tackle climate change, help the economy grow in a fairer way, and build affordable housing.
- **We would apply to re-join the EU.** This would restore the right of Scottish citizens to move freely with the EU. As part of the Common Travel Area, people in Scotland would also be able to move freely within the UK, Ireland, the Channel Islands, and the Isle of Man.
- **Scottish businesses would be inside the European Single Market which by population is seven times the size of the UK.** Scotland would benefit from EU existing trade deals and its ability to negotiate new deals on beneficial terms.
- **An economy that makes better, greener use of Scotland's abundant natural energy resources.** Our massive renewable energy resources can be the bedrock of the new independent economy. Independence means that we can have lower energy prices, and greater energy self-reliance and security of supply, by increasing and diversifying our electricity generating capacity.
- **A new migration system that works for Scotland.** Independence would let move away from the 'hostile environment' of the UK. Instead, a new, fair migration system would be designed to meet Scotland's needs.
- **There is no trade-off between greater prosperity and greater fairness.** Successful countries of Scotland's size prove that a dynamic economy and a just society go hand in hand. They reinforce one another. So we would introduce a single rate for the national minimum wage—one that better reflects the cost of living. Improve access to flexible working. And repeal unfair trade union laws.

BANS PAPER 3: A stronger economy with independence: Lines on Currency Proposals

CONTINUED USE OF STERLING

Why would we use UK sterling on day 1 of independence?

- Continuing to use sterling is grounded in practicality for people, business and the economy at the point of independence. Using sterling would also provide time to set up the new institutions we'll need as a newly independent state. We would establish an independent Scottish Central Bank to have a key role in overseeing the use of sterling and ensuring financial stability.

What if the UK refuses to allow Scotland to use sterling?

- The UK has no veto over Scotland continuing to use sterling under independence. Sterling is an international currency which is freely traded and is available for Scotland to use. Continuing to use the pound does not need a formal agreement with the Westminster Government.

Will people notice any difference, on point of independence, in terms of currency?

- We will continue to do business and trade in sterling, wages and pensions will be paid in sterling, and contracts will be in sterling and so people should not notice a difference.

What would be the impacts of not being able to determine our own monetary policy?

- While Scotland uses sterling, monetary policy will be set by the Bank of England. For example, interest rates would continue to be set by the Bank of England. This would place a greater emphasis on the role of fiscal policy to ensure stability over the economic cycle.

During the period of using sterling, you wouldn't have a central bank to intervene in the way the Bank of England did to save pension funds?

- During the period of continued use of Sterling, monetary policy would continue to be set by the Bank of England. The Scottish Central Bank would not have the ability to undertake quantitative easing as is the case for other countries that share a currency. Even some countries that can use quantitative easing choose not to do so, for example Denmark.
- The recent intervention in the bond markets by the Bank of England (in response to the UK mini budget) underlines the importance not only of financial stability but of fiscal credibility. Our macroeconomic framework is committed to both.

How would you establish a central bank?

- Work to set up the Scottish Central Bank would begin immediately after a vote for independence. This would put in place what's needed, legally and operationally, for the Bank to operate fully from Day 1 of independence. Key considerations here would be the Bank's role in ensuring continuing financial stability and appropriate support for continued use of sterling.

BRIEFING FOR THE MINISTER FOR INDEPENDENCE

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SCOTTISH POUND

When would we adopt a Scottish pound?

- We would do so when the time is right. Our proposal is that Scotland should establish its own currency as soon as practicable. We would be guided by criteria and economic conditions rather than a fixed timescale.

Why would we move to a Scottish pound if sterling is working fine, and if we don't need to?

- Using sterling at the point of independence makes sense, because it provides people, business and the economy with continuity. Sterling is the currency used in Scotland and it is right to use it initially. However, moving to a Scottish pound in due course would give Scotland control over monetary policy - which can be used directly as part of Scotland's macroeconomic framework.

When Scotland adopts the Scottish pound, people will still be able to use Sterling in Scotland at that point. Which currency will I be paid in?

- The introduction of the Scottish pound would not prevent sterling, or other currencies, from being used as is the case now. The Scottish pound would become the unit of account for most transactions in the economy and would be the basis for which Government related payments and tax revenues are paid.
- However, individuals and business would still be able to transact in other currencies including sterling.

Will wages be paid in sterling or the new Scottish pound?

- As in any country, decisions about the currency that will apply to wages will be for individuals and businesses. However, wages are typically paid in the currency of the country and that would be the case in Scotland too.

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BRIEFING FOR THE MINISTER FOR INDEPENDENCE

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- One of the criteria for the transition to a Scottish pound is that foreign exchange reserves and sterling reserves are sufficient. The precise level of reserves that would be required would be informed by analysis and advice from the Scottish Central Bank and would depend on the choice of currency regime for the Scottish pound, which would be a decision for the Government of the day.

How would Scotland secure any necessary reserves, beyond those secured through negotiation with the UK Government? Is the proposed approach viable?

- An independent Scotland would have the full borrowing powers available to other countries to secure additional reserves [Redacted]

EURO

How will Scotland be able to join the EU without agreeing to use the Euro?

- No country uses the Euro on joining the EU. There are a number of steps to be taken, including voluntary steps. All EU member states agree in principle to join the Euro but the decision on when to do so is for the member state to take. Several countries retain their own currencies nearly 20 years after joining and Sweden joined in 1995 and does not use the Euro.

Are you proposing that Scotland could have three currencies – sterling, the Scottish pound, and the euro – in the course of one or two decades?

- No. The decision on when to adopt the Euro would be a matter for Scotland. The former president of the European Commission, Jean-Claude Juncker, said he wasn't in the business of forcing countries to join the Euro. Sterling is the currency used in Scotland at present so there will be no immediate change on independence and we would move to Scottish pound when the time is right.

Could Scotland apply for EU Membership and / or Join the EU while using sterling?

- Yes, Scotland could apply for membership while using sterling. In terms of becoming a member that would be part of the discussions we would have with the EU but our intention is to move to a Scottish pound as soon as practicable.
- There is no requirement for a country to have its own currency in order to apply for EU membership.

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ANNEX G – SCOTTISH GOVERNMENT BONDS

- The Net Zero Investor Panel recommended that a Scottish bond issuance could significantly raise Scotland's international financial profile, build its credit rating and develop relationships with investors and debt providers.
- It is right that the Scottish Government pursues all of its fiscal and economic levers to boost investment in Scotland, and the recent agreement on our Fiscal Framework provides a new platform for us.
- With our borrowing limits changing it is absolutely the right time for us to review our borrowing policies and this includes consideration of how these can be used effectively to encourage further investment in Scotland.
- As the Investor Panel have pointed out, Scotland's profile could be significantly raised in the international capital markets by using existing devolved powers to issue debt. This will provide a motivation for regular engagement by investors and an opportunity to market Scotland's investment story. It would also allow the development of relationships with providers of debt, a track record and credit rating.
- Scotland is a country that is open to investment, and as part of a full, external due diligence process it is willing to open its public finances to the scrutiny of credit rating agencies.
- The Deputy First Minister will set out further detail on bonds alongside the Scottish Budget in December.

ANNEX H – SUMMARY OF BANS PAPERS

Paper 1 – Independence in the Modern World: Wealthier, happier, fairer, why not Scotland?

- Comparing the economic and social performance of the UK to a number of comparator countries (Denmark, Sweden, Finland, Norway, Iceland, Ireland, Switzerland, Austria, Belgium and the Netherlands) demonstrates – overwhelmingly – that **independent countries comparable to Scotland do better**.
- Those independent countries that are like Scotland are both fairer and wealthier than the UK.
- **The comparator countries are wealthier – some much wealthier.** For instance, in 2020, GDP per capita was \$66,674 in Switzerland; \$60,912 in Norway but only \$40,098 in the UK.
- **Poverty rates are lower in the comparator countries.**
- **Income inequality is lower in the comparator countries** - all the comparator countries have significantly lower income inequality than the UK, with Iceland, Norway, Belgium, Denmark, Finland, Austria and Sweden among the ten most equal nations according to the OECD.
- **The comparator countries have higher productivity** – often significantly higher – than the UK.
- The Scottish Government in this paper asks that with all our resources and talent: **why not Scotland?**

Paper 2 – Renewing democracy through independence

- Independence will put the power to decide Scotland's future in Scotland's hands, with **decisions made by governments the people of Scotland have voted for**.
- The current governing party in Westminster has not won a general election in Scotland for 70 years.
- **Independence would safeguard Scotland's democracy.** Within the UK, **Westminster retains ultimate power** – even on devolved matters – and, since the EU exit referendum, the UK Government has started to use this power to override decisions of the Scottish Parliament and claw back powers in devolved areas
- **For example**, passing the UK Internal Market Act (which effectively constrains devolved powers), repeatedly breaching the Sewel Convention, and now blocking legislation on devolved matters passed by the Scottish Parliament (gender reform).
- Independence would **secure Scotland's democratic future**, where decisions about Scotland are taken by the people of Scotland through our democratically elected and accountable Scottish Parliament.

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Paper 3 – A stronger economy with independence

- The economy paper sets out how will use the full powers of independence to build an **inclusive, fair, wellbeing economy that works for everyone in Scotland**. The proposals include:
- A special **£20 billion investment fund** (the Building a New Scotland Fund) to kick-start the newly independent Scottish economy using oil revenues and if needs be the borrowing powers that come with independence. The Fund would focus investment on new housing, renewable energy projects, broadband and a range of other projects.
- Rejoining the EU, **escaping the UK’s Brexit-based economic future**, which is predicted to result in a long-term reduction in productivity – the key driver of living standards - of 4% compared with remaining in the EU.
- Regaining the right to **live, work and study in the EU**.
- **Migration policy tailored to our needs**, growing our working population, and boosting national income and productivity.
- A better, fairer working life, including improved access to **flexible working, greater job security** through strengthened **workplace rights** and **reformed models of corporate governance** that evidence shows improve profitability.
- **Increasing and diversifying our electricity generating capacity**, making better, greener use of Scotland’s abundant natural energy resources.
- Scotland would **continue to use the pound sterling** for a period before moving to our policy of adopting a Scottish pound. The **change would take place as soon as practicable through a careful, managed and responsible transition**, guided by criteria and economic conditions rather than a fixed timetable.

Paper 4 – Creating a modern constitution for an independent Scotland

This paper sets out:

- **why an independent Scotland needs a written constitution**
 - to ensure sovereignty rests with the people in Scotland, and not the Westminster Parliament;
 - to clearly establish and protect the rights and equalities of the people of Scotland;
 - to establish the foundations of Scotland as an independent democratic European nation-state
- **the process for producing an interim written constitution, in place from Day 1 of independence and what this government proposes should be included in an interim constitution**
 - consultation with the people of Scotland to produce a draft a draft interim constitution for Scotland, following a vote for independence;
 - an interim constitution ready for Day 1 of independence that establishes the key democratic institutions and processes of the state to ensure necessary continuity, stability and state functioning, and is founded on human rights and equality protections
 - Key elements: constitutional monarchy for as long as the people of Scotland desire it; duty on the post-independent Scottish Government to pursue nuclear

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- disarmament (i.e., to pursue negotiations with a view to securing the safe and expeditious removal from Scotland of nuclear weapons based here)
- Legally mandating a Constitutional Convention to draft the permanent constitution
- To remain in place until the people in Scotland vote for a permanent constitution in a referendum
- **the process for producing a permanent written constitution**
 - through an open and inclusive Constitutional Convention that involves the people in Scotland and their elected Parliament
 - to come into force only after voted on by the people of Scotland in a referendum

Paper 5: Citizenship in an independent Scotland

This paper sets out:

- **the Scottish Government's proposals for an inclusive model of citizenship after independence, whether or not people were born in Scotland or overseas**
 - There would be four ways to become a Scottish citizen if Scotland become an independent country:
 - automatic entitlement on the day of independence
 - by birth after independence
 - by registering as a Scottish citizen, or
 - by applying to become a Scottish citizen
 - An independent Scotland would have full control over citizenship and migration policy, meaning systems could be built to encourage people to settle here permanently, helping to address our population challenges and support our communities and public services
 - This Scottish Government would remove barriers to people becoming citizens – for example, a fair rate would be charged for citizenship application fees.
 - Scotland would continue to be an inclusive and open country, valuing everyone who makes their home here. Non-citizens would share many of the same rights in Scotland that Scottish citizens would hold – for example the right to vote.
 - In an independent Scotland, this Scottish Government would introduce an independent Migrants' Commissioner – something the UK Government has not implemented despite previous Home Office commitments to do so in light of the Windrush scandal.
- **who would become a Scottish citizen at the point of independence, and who could become a Scottish citizen from then on**
 - Scottish citizens would have the right to live and work freely in Scotland. They would also be able to get a Scottish passport.
 - British citizens would not have to become Scottish citizens after independence to live and work in Scotland, because Scotland would continue to be part of the Common Travel Area, which includes the UK, Ireland, the Channel Islands and the Isle of Man.
 - For those without automatic citizenship, routes to citizenship would be straightforward. Scottish citizenship would be a choice.

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- **what it would mean to be a Scottish citizen**
 - Scottish citizens would be able to hold a Scottish passport and get overseas assistance from Scotland's offices across the world.
 - Once Scotland rejoined the European Union, Scottish citizens would once again become EU citizens. This would allow them and their families to live, work and study freely across all 27 current EU member states, as well as Norway, Iceland, Liechtenstein and Switzerland

Paper 6: Migration to Scotland after independence

This paper sets out a **new approach to migration policy, one that is humane, dignified and principled, comprehensively rejecting Westminster's 'hostile environment'**. This includes:

- **New visa routes:**
 - The main **'Live in Scotland'** route would be a new type of visa, allowing people to live and work in Scotland with their families without employer sponsorship, if they meet criteria set out in the Scottish immigration rules. This visa would give credit for a broad range of characteristics. The Live in Scotland route would also incorporate a place-based element, supporting migration to rural and island communities within Scotland, therefore helping to tackle depopulation.
 - A new **'Scottish connections' visa** would provide an immediate route post-independence for people with a connection to Scotland to return or remain here. This would include previous study in Scotland, having been legally resident in Scotland for 5 years, ancestral connection through a parent or grandparent, and British nationals who are not British citizens.
 - The **'Work in Scotland'** route would retain an employer-sponsored visa route, with simplified rules to allow more employers to interact with the immigration system and allow them to recruit internationally.
 - We would also continue with and expand a **seasonal worker visa route**, removing the need for workers to be tied to a single employer, reducing the likelihood of exploitation.
 - On **family visas**, this government would remove the minimum income requirement for family migration, introduced as part of the Westminster government's 'hostile environment' approach. This would make it easier for families to choose Scotland as a place to live, also supporting family reunification.
- **Lower fees:**
 - Visa fees would be set at a level that ensures full cost recovery but does not seek to generate revenue. This could mean a saving of over £1,000 for an individual applying for a skilled worker long-term visa, compared to current UK levels.
- **A new approach to refugee and asylum policy:**
 - Asylum and refugee policy would be rooted in human rights and equality principles and the rule of law. There would be an emphasis on integration and support – in line with our New Scots strategy – from day one of their arrival.

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- Unlike current UK policy, people seeking asylum would have the right to work, have access to employability support and to public assistance through, for example our social security system, reducing the likelihood of destitution.
- Those granted refugee status would be granted settlement status in Scotland. This would support longer-term integration and reduce the need for refugees to have to go through additional administrative processes to stay in Scotland on a permanent basis
- Finally, safe and legal routes would be available for displaced people and refugees, in part as recognition of the growing issue of climate refugees.

Paper 7: An independent Scotland in the EU

The paper sets out:

- **how Scotland's current position as a 'devolved nation' - subject to the decisions of the Westminster - contrasts significantly with how an independent Scotland in the EU would be able to operate.** EU membership involves nations voluntarily co-operating as equal partners with shared values and a common purpose.
- **how Scotland's current situation outside the EU means that Scotland is losing out economically, socially and culturally.** The opportunities for our citizens to live, travel, study, visit and do business in the EU are narrower, with poorer prospects for us all.
- **the benefits that would accrue from becoming independent and a member of the EU.** EU membership has economic, societal and cultural benefits. An independent Scotland would have direct representation across EU institution for the first time.
- **some areas where an independent Scotland would contribute to the EU, the process for joining the EU, and the responsibilities we would share with other member states.** Scotland has much to offer, and EU membership is the best way for us to collaborate on shared challenges and opportunities.

Key points

- The majority of people in Scotland, the Scottish Parliament and the Scottish Government never wanted to leave the EU.
- Until Brexit, Scotland benefited from and contributed to the success of the EU.
- Since Brexit, Scotland has increasingly been distanced not only from the European single market – at considerable economic cost to the country given it is almost seven times the size of the UK – but also from the community of sovereign states with which we share, and have achieved, so much. Scotland has lost out economically, socially, politically and culturally as a consequence.
- Joining the EU as an independent nation offers Scotland the chance to regain what has been lost because of Brexit and achieve what devolution cannot deliver. For the first time, Scotland would be at the table advancing Scotland's interests directly in the EU.
- An independent Scotland would contribute positively to the EU and its member states.

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- Scotland would be in an unprecedented situation. No other country has been taken out of the EU and its single market against its will. Nor has any other country applied to re-join the EU.
- This Scottish Government would apply to join the EU as soon as possible after independence. There is a clear, merit-based process for doing so and Scotland would follow that process. This Scottish Government is clear that Scotland would be well placed to fulfil the requirements of the accession process smoothly and quickly.
- EU membership is central to Scotland's future economic, political, security and social prospects. Independence is the only realistic way to achieve it.

Paper 8: Our marine sector in an independent Scotland

The paper sets out how the full potential of Scotland's marine sector could be realised with independence

- Scotland's marine sector is an area of significant size, strength and value. Our seas are nearly six times larger than the land area of Scotland, and make up almost two-thirds of the UK's Exclusive Economic Zone.

The case for change

- Key promises made during the Brexit referendum have not been delivered. Scotland now faces, for example, a risk of retaliatory trade measures being imposed if the UK Government seeks to reduce or deny access to UK waters
- Brexit has created major new barriers to seafood trade, significantly increasing certification, packaging and transport costs for seafood exporters to the EU. Leaving the EU has ended freedom of movement, contributing to an estimated 20-25% of vacancies throughout the seafood industry and potentially worsening population decline in coastal and island communities
- Constitutional limitations – such as international relations being a reserved matter under the Scotland Act 1998 – significantly constrain Scotland's marine interests, and UK Government driven legislation such as the Internal Market Act and Retained EU Law Act risks impacting on environmental protections and the powers of the Scottish Parliament and Scottish Government.

Our vision for independence

- Joining the EU would enable Scottish seafood exporters to enjoy free access to the European Single Market. Our seafood businesses, coastal communities and marine science sector would benefit from freedom of movement within the EU
- As an EU member state, Scotland would be well-placed to make a proactive, positive and constructive contribution to the development of current and future EU law – such as reforms of the Common Fisheries Policy and negotiate for ourselves at the heart of the EU
- Inside the EU, Scotland would be able to negotiate an equitable share of EU funding programmes to invest in our seafood industry, our coastal communities

BRIEFING FOR THE MINISTER FOR INDEPENDENCE

and our marine science sector, likely exceeding what the UK is currently providing.

Future opportunities for our marine sector

- After independence, Scotland would – for the first time – have the ability to negotiate at international level, and join international bodies, in our own right.
- Independence would provide the Scottish Parliament and Government with the powers and tools to make our own decisions – rather than either having decisions made by the UK Government or being reliant on its consent – to support sectors such as offshore wind energy.

**Note of meeting – Minister for Independence and the Scottish Currency Group
(SCG) Finance & Banking Committee
MS Teams – 15:00-15:45 Tuesday 5 December 2023**

Attendees: Jamie Hepburn MSP, Minister for Independence; Lucy O' Carroll, Director of Fiscal Policy and Constitution; Kathy Johnston, Deputy Director, Economic Analysis OCEA; **[Redacted]**, Constitutional Futures Division; **[Redacted]**, Constitutional Futures Division; Ewan Crawford, Special Adviser; John Randall, Secretary of Scottish Currency Group Finance & Banking Committee; Ian Stewart, Chairman of Scottish Currency Group Finance & Banking Committee; Lynne Copland, Chair of Scottish Currency Group Campaign Team; Cath Jones, Moderator of Scottish Currency Group.

Note of meeting

Mr Hepburn thanked SCG for the meeting, and for sending over their submission to the SG.

John Randall talked through SCG's proposals for currency in an independent Scotland. These proposals are published on their website and have been subject of some public debate. He also explained that SCG would be preparing future newspaper articles on these proposals.

Mr Hepburn set out the SG's position on currency and other matters and confirmed that further information on the SG's proposals for an independent Scotland will continue to be published through the delivery of the Building a New Scotland series. He also stated that he would be happy to maintain dialogue with SCG going forward.

Constitutional Futures Division