
EUROPE 2020: SCOTTISH NATIONAL REFORM PROGRAMME 2014



The Scottish
Government
Riaghaltas na h-Alba



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MINISTERIAL FOREWORD



Europe 2020 sets out the European Union's vision for a Europe where economic growth is smarter, sustainable and equitable. It is a vision that Scotland shares and strongly supports.

This vision is one that is closely aligned with our core Purpose to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.

The *Government Economic Strategy* provides the framework for delivery of the Purpose. It sets out how the Scottish Government and its partners will help secure the economic recovery, deliver faster and sustainable economic growth, increase employment and tackle inequalities. The ambitions and priorities in Europe 2020 and the *GES* are closely aligned.

All the Scottish Government's efforts are directed towards delivering the Purpose, and actions all across Scotland are contributing to the delivery of Europe 2020, as this Scottish National Reform Programme – the fourth we have produced – sets out. I welcome the opportunity to show how Scottish actions are making a distinct contribution to the delivery of this ambitious vision for Europe.

During 2013, Scotland's economy saw positive and accelerating growth accompanied by a sustained improvement in the labour market indicating that the recovery has taken hold. There have also been encouraging signs that business confidence and investment intentions are picking up, and that lending conditions for businesses are also showing some signs of beginning to ease.

These are positive developments. However, economic conditions are still challenging and for many in our society it will take some time for the benefits of the recovery to be realised.

This is particularly the case when it comes to dealing with the effects of the recession on our young people. Although youth unemployment is lower in Scotland than in many other EU countries, it is still too high, and there is much work to do to repair the damage caused by the recession. With this in mind, I welcome the European Commission's continuing and sustained focus on youth unemployment.

We have taken strong action to tackle youth unemployment. We are delivering on our commitment to provide more than 25,000 new Modern Apprenticeship opportunities each year, while our Opportunities for All initiative offers learning or training opportunities for all 16-19 year olds in Scotland not already in work, education or training. The Youth Employment Scotland Fund, which is supported by the Scottish Government, Local Authorities, employers and the European Social Fund, is supporting young people unemployed for more than six months by providing recruitment incentives for employers of small and medium-sized businesses in the private sector and social enterprises.

We are also taking steps to address the challenges that can prevent young people from achieving their full potential. For example, we have established an independent Commission for Developing Scotland's Young Workforce. This Commission, chaired by

Sir Ian Wood and comprising a range of experts from the worlds of business and education, is bringing forward a range of recommendations designed to improve young people's transition into employment.

As the recovery continues to take hold, it is more important than ever to ensure that growth is based on strong and sustainable foundations. Delivering sustainable economic growth over the longer term requires balanced growth, with private sector investment, innovation and trade playing a greater role than in recent years. With this in mind, I welcome the additional emphasis being placed by the Commission on rebalancing Europe's economy in its recent communication, *Towards a European Industrial Renaissance*.

Scotland is already making a significant contribution towards this agenda. The Scottish Government is strongly supportive of Horizon 2020, and we are working with a range of public and private sector partners to strengthen our innovation performance across our growth sectors through initiatives like our Innovation Centres. We are also working with partners across Scotland to support entrepreneurship, and to ensuring that critical infrastructure to support business growth, such as high-speed broadband, is available throughout Scotland.

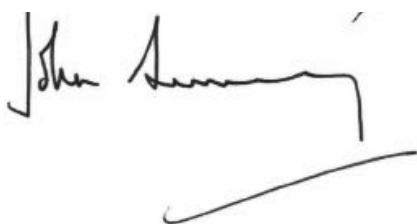
Scotland remains committed to Europe. We believe that effective collaboration with our European partners can lead to better outcomes for Scotland and a stronger European Union.

This year, the people of Scotland will vote in an independence referendum on Thursday, 18 September. It is the ambition of Scottish Ministers for an independent Scotland to be a constructive and active member of the European Union. Scotland has a great deal to offer to the EU through our wealth of experience, innovation and resources.

As this report highlights, the ambitions of the EU and the Scottish Government

are closely aligned. We are already making a substantive economic and social contribution to the range of challenges facing all European economies – from global warming to tackling unemployment.

As an independent nation, I believe that Scotland would be in an even stronger position to contribute to the delivery of the vision that we share with the Commission for sustainable, smart and inclusive growth.

A handwritten signature in black ink, appearing to read 'John Swinney', with a long horizontal flourish extending to the right.

JOHN SWINNEY MSP

Cabinet Secretary for Finance, Employment and Sustainable Growth

INTRODUCTION

This report is the fourth Scottish National Reform Programme (NRP). It builds on the previous Scottish NRPs and sets out the actions being undertaken in Scotland in support of the delivery of the ambitions of Europe 2020.

This report also outlines the approach to economic policy coordination across the EU, and the positive interactions between developments at the European level and policy delivery in Scotland.

The Scottish Government plays a distinctive role across a number of policy areas at European level, in particular Energy and Climate Change, the Marine Environment, Research and Creativity, and Freedom, Security and Justice. Engaging with the European Parliament and European Commission offers an excellent platform to demonstrate our success in areas where we are leading practice in Europe and to learn from the experiences of our European partners.

The Scottish Government is keen to share our knowledge and experience with our European partners through policy co-operation and exchanging best practice. For example, Scotland has recently become a part of the Vanguard Initiative for New Growth by Smart Specialisation, which aims

to influence the future direction of innovation and entrepreneurship within Europe's Member States and regions. Representatives from the Scottish EU Research and Innovation Steering Group attended the launch of the initiative in Brussels in November 2013.

[Europe 2020](#)

Europe 2020 is the European Union's strategy for delivering smart, sustainable and inclusive growth over the period to 2020.

This strategy sets out five key targets for the EU to achieve by the end of the decade. These targets relate to employment; education; research and innovation; social inclusion and poverty reduction; and climate/energy. This report sets out actions being pursued in Scotland to support delivery of these ambitions.

Europe 2020 also establishes seven 'flagship initiatives', which provide a framework through which the EU and national authorities mutually reinforce their efforts in areas supporting the Europe 2020 priorities. These include areas such as innovation, the digital economy, employment, youth, industrial policy, poverty, and resource efficiency.

The European Commission has also reiterated, through its recent communication *For a European Industrial Renaissance*¹, that strengthening the role of industry is at the centre of the new growth model for the EU economy. The Industrial Strategy focuses on strengthening competitiveness and access to finance for businesses, promoting innovation and industrial modernisation and capitalising on globalisation.

The Scottish Government is strongly supportive of the ambitions and priorities of Europe 2020. There is also a significant degree of commonality between Europe 2020 and our *Government Economic Strategy (GES)*². Central to both Europe 2020 and the *GES* is a focus on accelerating recovery and securing economic growth that is both environmentally and socially sustainable.

EU Member States provide annual reports on their structural reform programmes and the progress they are making in delivering the Europe 2020 ambitions to the European Commission through their NRPs. NRPs provide context on the macroeconomic environment, outline how Member States intend to meet the targets set out in Europe 2020, and how they will overcome obstacles to economic growth.

As part of this process, the Scottish Government has contributed to the

development of the UK Government's NRP for 2014.

However, given the unique characteristics of Scotland, and the distinct approach to Europe 2020 ambitions that we are taking forward within the UK, the Scottish Government is continuing to produce a Scotland-specific NRP. This approach, which has been welcomed by both stakeholders and the Commission, allows the Scottish Government to highlight Scotland's positive engagement with the European Union. It also provides a valuable opportunity to showcase particular areas where actions taken in Scotland make an important contribution to delivering the priorities in Europe 2020.

The European Semester

The European Commission has established an annual cycle of economic policy coordination called the 'European Semester'. As part of this, the Commission undertakes a detailed analysis of EU Member States' programmes of economic and structural reforms and provides them with recommendations for the next 12-18 months. The NRPs are a central feature of this process.

The European semester begins with the publication of the *Annual Growth Survey (AGS)*, which details the policy priorities for the EU as a whole for the coming year to boost growth and job creation. In the 2014 AGS³, the European

¹ http://ec.europa.eu/enterprise/initiatives/mission-growth/index_en.htm#h2-2

² <http://www.scotland.gov.uk/Publications/2011/09/13091128/0>

³ http://ec.europa.eu/europe2020/making-it-happen/annual-growth-surveys/index_en.htm

Commission advised that efforts in the coming year should be focused on:

- Pursuing differentiated growth-friendly fiscal consolidation;
- Restoring lending to the economy;
- Promoting growth and competitiveness for today and tomorrow;
- Tackling unemployment and the social consequences of the crisis; and
- Modernising public administration.

Each March, EU Heads of State and Government issue EU guidance for national policies based on the AGS. The AGS also provides the basis for the Spring meeting of the European Council, which considers:

- The overall macroeconomic situation;
- Progress towards the five EU-level targets (set out in Europe 2020); and
- Progress under the flagship initiatives.

In April, Member States submit their Stability or Convergence Programmes⁴ and their NRPs to the European Commission.

During May and June, the European Commission assesses the Stability or Convergence Programmes and NRPs, and provides Country Specific Recommendations (CSRs). These are designed to highlight particular challenges that Member States may face. The Council formally adopts the CSRs at the end of June or in early July.

Country Specific Recommendations for the UK

The Commission provided the UK with a set of CSRs⁵ in June 2013. In summary, these recommendations focus on:

- Reducing the budget deficit in a sustainable manner and setting the high public debt ratio on a sustained downward path;
- Further increasing housing supply as well as improving the functioning of rental markets;
- Stepping up measures to address youth unemployment, increasing the quality and duration of apprenticeships, simplifying the system of qualifications, strengthening the engagement of employers and reducing the number of young people aged 18-24 who have very poor basic skills;
- Enhancing efforts to support low-income households, reduce child poverty and accelerate the implementation of planned measures to reduce the costs of childcare and improve its quality and availability;
- Further improving the availability of bank and non-bank financing to the corporate sector, in particular to SMEs; and
- Facilitating an increase in network infrastructure investment – with a particular focus on transport and energy networks.

⁴ Stability and convergence programmes are prepared by Member States to present their medium-term budgetary strategy.

⁵ http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/2013/index_en.htm

Some of these recommendations relate to reserved policy areas under the current constitutional settlement and are therefore the responsibility of the UK Government. However, this report outlines where the Scottish Government is taking action, within the powers available to it, against these identified priorities.

European Funding

Scotland receives significant levels of European Funding from across a number of funds to support smart, sustainable and inclusive growth. These include European Structural Funds (ESF), the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF). These funds have played, and continue to play, a vital role in supporting recovery and, long-term sustainable economic growth in Scotland through a variety of avenues including funding capital expenditure and infrastructure development, improving business support, and up-skilling individuals.

During the round of European Funding covering the period 2007-2013, Scotland has received £1.3 billion across this range of funds.

A considerable amount of European Funding in Scotland is delivered at the Local Authority level. In this regard, our Community Planning Partnerships⁶ (CPPs) provide an important vehicle for ensuring that European Funding is coordinated at a local level. The case studies presented throughout this

Report highlight the range of actions being taken forward across all levels of delivery in Scotland.

In October 2011, the European Commission announced their proposals for the 2014-2020 Programming Period. The proposals are designed to boost growth and jobs across Europe by targeting EU investment on the Europe 2020 priorities which promote smart, sustainable and inclusive growth. The Scottish Government strongly supports these priorities.

With an ambitious vision for Europe 2020 and a tighter level of funding, we have developed a clear focus on how to utilise such funds to deliver maximum impact. For example, the Scottish Government is working closely with major public sector partners to ensure that the funds are deployed on priority areas like SME support and youth employment. This work will allow us to test a new and much more strategically focused approach to these funds for the 2014-2020 period.

Delivering the Ambitions

Stakeholder engagement is an integral element of policy development in Scotland. It has therefore formed a central part of the development of the Scottish 2014 NRP. In line with this approach, a successful stakeholder event was held in Edinburgh on 28 February 2014. The purpose of this event was to consult a wide range of views to capture the activity being pursued across Scotland which supports the objectives

⁶ Further information on CPPs is provided in Chapter 7.

of Europe 2020, in order to inform the development of the Scottish NRP 2014 and the Scottish contribution to the UK NRP 2014.

Each and every part of the public sector in Scotland, as well as the private and third sectors, have an important role to play in the delivery of the Europe 2020 ambitions. Improving the outcomes set out in Scotland's *National Performance Framework (NPF)*, reducing inequalities, and putting public services on a financially sustainable footing, remain central to the Scottish Government's actions and are grounded on the principle of collaboration and partnership working.

The remainder of this document focuses on:

- The Scottish Government's approach to supporting recovery and delivering sustainable economic growth; and
- Actions being pursued in Scotland to support the delivery of the Europe 2020 ambitions.

Chapters are presented for each of the five headline targets set out in the Strategy – covering Employment; Innovation and R&D; Climate Change; Education; and Poverty.

ACCELERATING RECOVERY & DELIVERING SUSTAINABLE ECONOMIC GROWTH

During 2013, the global recovery became more established, although the timing and strength of the recovery has varied across countries. The US and UK economies experienced solid expansion throughout the year, whilst the Euro Area emerged from recession, albeit with relatively subdued growth. Business survey data suggests positive momentum has carried through to the first quarter of 2014, and forecasters expect growth to continue this year across the key advanced economies.

A quarterly assessment of conditions in the Scottish economy is provided in the Scottish Government's Chief Economist's *State of the Economy* publication⁷.

Government Economic Strategy

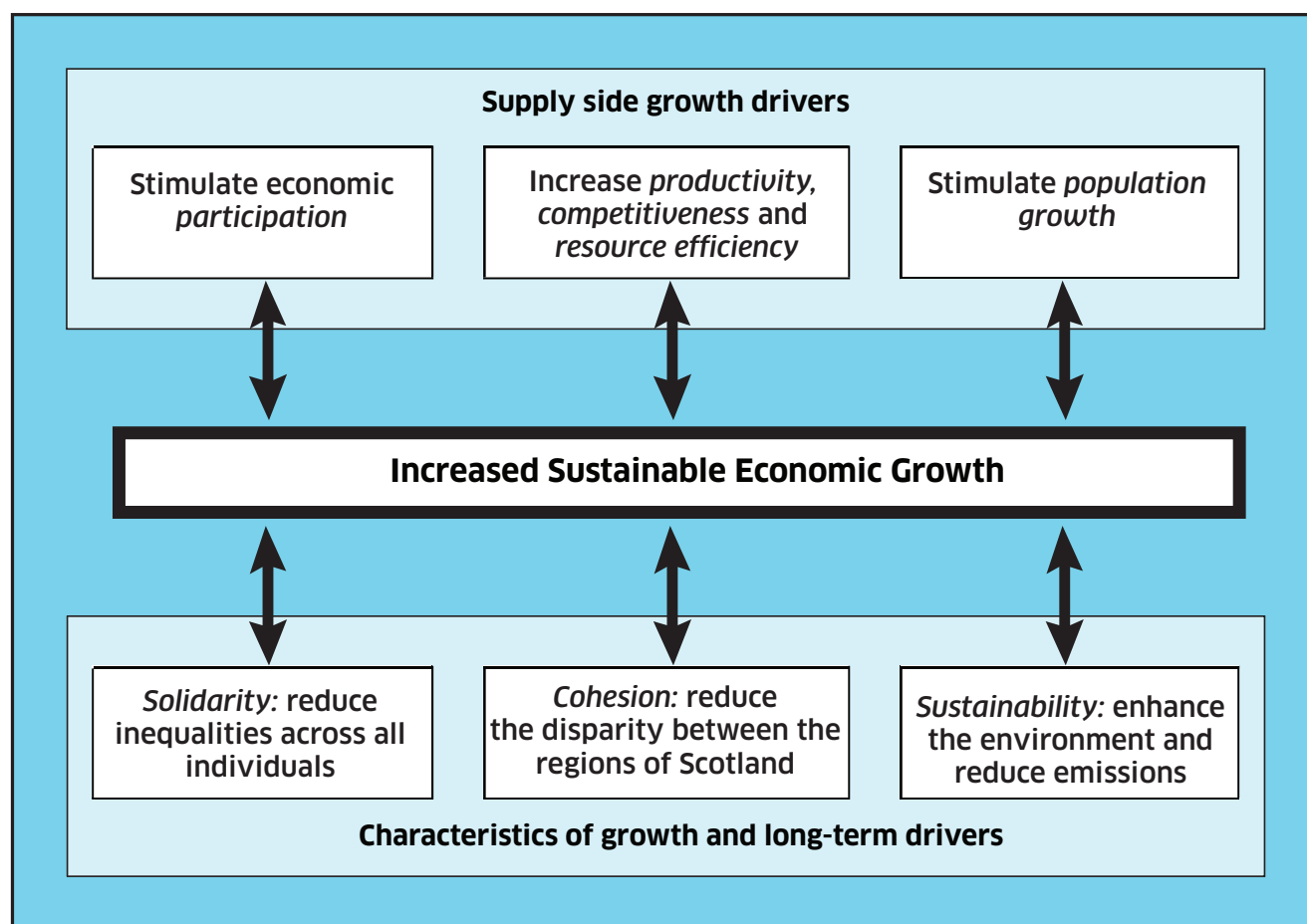
The Purpose of the Scottish Government is to make Scotland a more successful country, with opportunities for all to flourish, through increasing sustainable economic growth. The *GES* sets out how the Scottish Government will continue to make full use of the levers currently devolved to the Scottish Parliament, in order to achieve this Purpose.

⁷ <http://www.scotland.gov.uk/Topics/Economy/state-economy>

Originally launched in 2007, a refreshed *GES* was published in September 2011 to take account of the marked change in economic conditions over the intervening period and to provide added focus toward new and emerging growth opportunities.

The framework provided by the *GES*, as set out in Figure 1, focuses on improving performance against the key drivers of sustainable economic growth – **Productivity**, Competitiveness and Resource Efficiency, **Participation** in the Labour Market and **Population** Growth – and the delivery of the Scottish Government's desired characteristics of growth – Solidarity, Cohesion, and Sustainability.

Figure 1: The Purpose Framework



Each of these drivers and characteristics are underpinned by ambitious long-term Purpose targets.

In order to deliver these ambitions, the *GES* identifies six Strategic Priorities that represent the broad policy levers that shape the drivers of growth and the desired characteristics of growth set out in Figure 1.

Each priority is critical to the delivery of the Purpose and they are clearly closely aligned with the priorities set out in Europe 2020.

Strategic Priorities for Delivering Sustainable Economic Growth

- Supportive Business Environment;
- Transition to a Low Carbon Economy;
- Learning, Skills and Wellbeing;
- Infrastructure Development and Place;
- Effective Government; and
- Equity

The Scottish Government's Council of Economic Advisers⁸ provides advice to Ministers on how to best position Scotland amongst the world's most competitive economies. The Council's membership draws upon a range of knowledge and expertise and consists of leading figures from the private sector and academia, including two Nobel Laureates.

National Performance Framework

The *GES* is underpinned by a set of ambitious targets, which form a key part of the *NPF*. The *NPF*, which is set out in Figure 2, incorporates a range of social and environmental indicators and targets covering issues such as mental wellbeing, income distribution and carbon emissions, as well as economic growth.

Progress against the priorities set out in Europe 2020 is captured through the *NPF*'s seven Purpose Targets and 50 National Indicators, with performance monitored and reported through Scotland Performs⁹ – the Scottish Government's online reporting tool.

Figure 2: The National Performance Framework



⁸ <http://www.scotland.gov.uk/Topics/Economy/Council-Economic-Advisers>

⁹ <http://www.scotland.gov.uk/About/Performance/scotPerforms>

Accelerating Economic Recovery

The *GES* provides a flexible and adaptable framework to support sustainable economic growth in Scotland with opportunities for all to flourish.

By building a more dynamic and faster-growing economy we will increase prosperity, be better placed to tackle Scotland's health and social challenges, and establish a fairer and more equal society. Within the overarching parameters of the *GES*, the Scottish Government's current programme focuses on:

- Supporting an investment-led recovery;
- Taking direction action to boost employment and create more economic opportunity;
- Enhancing economic confidence in Scottish households, and promoting business development;
- Rebalancing the economy, through supporting innovation, internationalisation, and a transition to a low carbon economy; and
- Promoting equality and tackling inequality and improving the life chances of individuals and communities.

A range of actions are being taken forward against these priorities, many of which are outlined in this report. However, in the remainder of this chapter we focus on actions being pursued in Scotland to support an investment-led recovery, boost the

supply of housing and to address issues regarding access to finance, which cover three of the areas highlighted to the UK by the European Commission through its CSRs.

Capital Investment

Capital investment continues to be a central element of the Scottish Government's approach to boosting growth. It is widely recognised that capital investment impacts both the short-term (as a key component of aggregate-demand) and the long-term (through its strong relationship with productivity).

As set out in the budget plans for 2014-15, the Scottish Government will support infrastructure investment of more than £8 billion in 2014-15 and 2015-16 through the traditional capital budget, the Non Profit Distributing (NPD) pipeline, rail investment through Network Rail's Regulatory Asset Base (RAB), and allocating some resource funding to capital assets.

The Scottish Government's capital budget has been cut by 26 per cent in real terms from 2010-11 to 2015-16 by the UK Government¹⁰. In order to continue to prioritise capital investment the Scottish Government is therefore pursuing a range of innovative financing approaches.

On 1 April 2014, a further £1 billion of support for infrastructure investment was announced by extending the current NPD programme through to 2019-20.

¹⁰ Excludes the financial transaction facilities allocated as part of the March 2013 Budget.

This additional investment will build on the success of the current programme, boost Scotland's infrastructure and support the economy. Further details will be provided to the Scottish Parliament in 2014 Autumn Draft Budget.

The Scottish Government has noted that as part of the CSRs to the UK, the European Commission has recommended

that action is taken to pursue a long-term strategy for improving the capacity and quality of network infrastructure – including measures to address pressures in transport and energy networks – and harnessing appropriate public or private financing arrangements. Box 1 sets out the key actions that the Scottish Government is pursuing to support long-term infrastructure investment.

Box 1: Supporting Infrastructure Investment

Infrastructure investment is fundamental to the Scottish Government's approach to delivering sustainable economic growth.

Our Infrastructure Investment Plan (IIP) sets out the priorities for infrastructure investment in Scotland up to 2030. The Plan sets out four criteria for prioritising investment:

- Delivering sustainable economic growth;
- Managing the transition to a low carbon economy;
- Supporting delivery of efficient and high quality public services; and
- Supporting employment and opportunity across Scotland.

A progress report, published in March 2014, highlights that significant progress has been made since the publication of the Plan. For example, during 2013, 20 projects, totalling over £400 million, completed construction and are now operational.

In addition, a further four projects completed construction in 2013 and will become operational in early 2014. These are the NHS Greater Glasgow and Clyde's New Possilpark Health Centre, the Scottish Crime Campus, HM Prison & Young Offenders Institution Grampian and Glasgow School of Art.

Further detail on the Infrastructure Investment Plan can be found at:
<http://www.scotland.gov.uk/Topics/Government/Finance/18232/IIP>

Investment in Housing

The Scottish Government's housing strategy, *Homes Fit for the 21st Century*,¹¹ aims to deliver a substantial increase in the number of homes available in Scotland across all tenures.

The Scottish Government is working with the housing sector to increase the supply of affordable homes, create new opportunities for those who want to own a home and deliver vital support for construction and house building companies of all sizes.

As part of that package of action, we have increased subsidy rates for social housing by £16,000, set out plans to invest over £1.3 billion in affordable housing between 2012 and March 2016 and established a range of schemes to support private sector activity. That includes the Scottish Government's £235 million Help to Buy (Scotland) shared equity scheme, launched in September 2014, and our support for the private sector-led MI New Home Initiative scheme, which is helping credit worthy buyers access 90-95 per cent loan to value mortgages for new build homes.

The Scottish Government aims to deliver at least 30,000 affordable homes between 2011 and 2016, including 20,000 social homes of which at least 5,000 will be council homes. Over £1 billion of the four-year affordable housing supply budget has been allocated to Local Authority areas to

fund projects that meet their housing needs. We will continue to hold a central budget for other parts of the Affordable Housing Supply Programme. This will include, for example, funding for the Low Cost Initiative for First Time Buyers (LIFT) and the Home Owners Support Fund (HOSF).

We are also continuing to seek innovative ways to make public resources deliver more, particularly to help leverage private sector investment in housing. The contribution from innovative financing approaches using government guarantees, loans, grant recycling and new sources of private funding is substantial and growing. Through these approaches, which include the ground-breaking National Housing Trust initiative (NHT), over 2,200 new affordable homes are now being delivered in communities across Scotland.

We are also making creative use of financial transactions' funding. For example, the Scottish Government has invested £10 million in a Charitable Bond initiative, which provides £8.6 million in loan funding for social housing development by a Registered Social Landlord to build around 150 new affordable homes in 2014-15, and generates over £1 million of grant funding to benefit regeneration projects. Further investment is planned through this pioneering approach over the next two years.

¹¹ <http://www.scotland.gov.uk/Resource/Doc/340696/0112970.pdf>

Box 2: Economic and Social Legacy from Scotland's 2014 Events

Scotland is playing host to a number of high-profile, international events in 2014, including the Commonwealth Games in Glasgow, the Ryder Cup in Gleneagles and the second Year of Homecoming – a year-long programme of events and activities taking place throughout Scotland. The Scottish Government and a range of partners, including Scottish Enterprise (SE), Highlands & Islands Enterprise (HIE), Scottish Development International (SDI), VisitScotland, Glasgow City Council and other Local Authorities, are working to ensure that these events deliver a lasting business, economic and social legacy.

We are capitalising on the unique opportunities presented by these events to help Scottish businesses internationalise and develop their export potential, particularly into fast growing markets. For example, the Commonwealth Games Business Conference which will bring together more than 200 government and business leaders from around the Commonwealth, provide opportunities to build business links and discuss global trade and investment. 'Scotland House' will operate during the Commonwealth Games and will host a range of activities and series of events designed to enhance growth in key Scottish sectors including education, renewable energy, oil and gas, financial services, life sciences and food and drink. Furthermore, the enterprise and tourism agencies have held 72 events to highlight the business opportunities around the Glasgow 2014 Games and the Ryder Cup. SE is continuing to engage with tendering companies to ensure they can build on the experience gained as a result of 2014 events, enabling them to bid for future global sporting events.

We are also using these events to support youth employment and skills development. For example, over 1,300 young people have already started a Modern Apprenticeship as part of the Legacy 2014 Employment Recruitment Incentive or have begun accredited training linked to the cultural and sporting events as part of the Legacy 2014 Scotland's Best programme. In addition, 600 students are engaging in the Legacy 2014 Host Broadcaster Training Initiative, with 200 getting assistant production and technical roles at the Games.

These events also offer opportunities to support regeneration and improve equity. The Clyde Gateway Urban Regeneration Company is using the profile from Glasgow's hosting of the Commonwealth Games as a catalyst to attract inward investment and drive forward the physical, social and economic regeneration of the East End of Glasgow and South Lanarkshire. The Games are also providing opportunities to improve transport infrastructure and the supply of housing in the area, with the Athletes' Village being converted after the Games to 700 private homes, including 400 for social rent.

All these actions being taken across the public sector should ensure that these high-profile events leave a lasting business, economic and social legacy for Scotland.

More information can be found at:

Scotland's Best programme – <http://www.scotland.gov.uk/Topics/ArtsCultureSport/Sport/MajorEvents/Glasgow-2014/Commonwealth-games/Indicators/best>

Legacy 2014 Employment Recruitment Incentive – <http://www.skillsdevelopmentscotland.co.uk/our-services/employer-recruitment-incentive/>

Clyde Gateway URC – <http://www.clydegateway.com/>

Legacy 2014 Host Broadcaster Training Initiative – <http://news.scotland.gov.uk/News/Games-legacy-for-creative-industries-603.aspx>

Access to Finance

Access to finance remains a challenge for some viable SMEs across Scotland, especially businesses with growth ambitions or exporting.

The Scottish Government remains committed to encouraging lenders to increase the supply of affordable finance to support the financing needs of viable Scottish businesses with good prospects, and welcomes any increase in the number of lenders to provide diversity and competition.

The latest figures released by the British Bankers Association (BBA) in December 2013 showed that the total value of bank lending to SMEs in Scotland at end-June 2013 was £7.7 billion. The data published by the BBA also showed that, as at the end of June 2013, 8 per cent of total lending to SMEs in Great Britain by the six major UK banks was to Scottish businesses. The largest lenders to SMEs in Scotland were RBS (accounting for 50 per cent of lending) and Lloyds Banking Group (accounting for 30 per cent).

The Scottish Government published its banking strategy, *Sustainable, Responsible Banking; a Strategy for Scotland*¹² in May 2013. This sets out the Scottish Government's view that greater diversity in banking is key to achieving a more responsible, sustainable and competitive banking service that offers genuine choice to personal and business customers.

The Scottish Government is already working directly with banks to improve

the supply of finance. In addition, advisory support is being made available through Scotland's Enterprise Agencies (SE and HIE) and Business Gateway, to help companies improve their chances of securing funding. Within this, Scottish Enterprise have aimed to help between 350 and 400 companies secure growth finance by improving their financial readiness in 2013-14. The Scottish Business Portal also now includes an advisory Finance Hub in order to assist companies with their financial preparedness.

Scottish Investment Bank

As part of this, the Scottish Investment Bank (SIB) is playing an important role in the business finance landscape in Scotland, delivering risk capital and debt finance to new, innovative, technology-based companies and growth and exporting SMEs. It works with the wider investment community, in particular Business Angel syndicates. As a result of this combined support, Scotland has the most active Angel investment environment not only within the UK, but across Europe.

In 2012-13, the SIB invested £32.3 million in 106 companies, attracting additional investment of £60.4 million from the private sector. The Scottish Loan Fund, administered by the SIB, aims to provide loan finance to growth and export-oriented companies. By March 2014, the fund, valued at £113 million, had distributed £26.7 million to 15 companies.

¹² <http://www.scotland.gov.uk/Publications/2013/05/3325>

PARTICIPATION IN THE LABOUR MARKET

Improving labour market participation – as highlighted in the *GES* – is a key driver of sustainable economic growth.

Government has a vital role to play in tackling the causes and impacts of unemployment. The Scottish Government shares the European Commission's concern over youth employment and the long-term impacts that the recession has had on our young people.

This chapter sets out the actions being undertaken in Scotland to support youth employment, improve labour market participation and to ensure that Scotland has a business environment that supports and encourages entrepreneurship and innovation. These actions cover one of the European Commission's CSRs to the UK and Europe 2020's 'Youth On The Move' flagship initiatives.

Europe 2020 headline target:

75 per cent of the EU population aged 20-64 should be employed.

Europe 2020 highlights that the improvement against this target should include greater involvement of women, older workers, and better integration of migrants in the workforce.

Current Scottish Performance

Scotland's labour market performance improved during 2013, with the Scottish employment rate, for the population aged 20-64, increasing over the year from 73.2 per cent in Q4 2012 to 75.5 per cent in Q4 2013¹³. The headline employment statistics for Scotland, produced by the Office for National Statistics, capture the population aged 16-64, with the latest statistics showing that the Scottish employment rate was 73.3 per cent in the three-month period December – February 2014 (above the UK rate of 72.6 per cent)¹⁴.

Over the year to December-February 2014, female employment was up by 46,000 with the female employment rate at 69.4 per cent¹⁵.

Supporting Employability and Tackling Youth Unemployment

The Scottish Government shares the European Commission's strong concerns over the impact that the recession has had on our labour markets. That is why we continue to take direct action to tackle unemployment and ensure that people who are out of work or under-employed – particularly young people – have access to the right training, skills and education opportunities.

Actions to Support Youth Employment

The timing and impact of the downturn on the labour market has varied across groups. As has been witnessed across many advanced economies, young people have been the most exposed during the economic downturn. Scotland's youth unemployment rate, although lower than in many other European countries, remains too high at 18.8 per cent (December-February 2014)¹⁶.

As well as appointing the first dedicated Minister for Youth Employment in the UK in December 2011, the Scottish Government has taken a multi-faceted approach in its strategy to support youth employment. This includes:

- A Modern Apprenticeship programme designed to be responsive to employer needs. There were 25,691 new MA starts in 2012-13, which exceeded the Scottish Government's target for provision of 25,000 MAs per year. This represents an increase in the number of MA new starts by 52 per cent since 2006-07 (16,913). Employers are highly satisfied, with 96 per cent saying that MA participants are better able to do their jobs after they completed the MA programme.
- Helping young people remain and succeed in education with 230,950 students in Scotland's universities, 850 more now than in 2006-07 (0.4 per cent increase to 2012-13).

¹³ Source: Labour Force Survey, Oct-Dec quarters, not seasonally adjusted, ONS.

¹⁴ Source: Labour Force Survey, Dec-Feb quarters, not seasonally adjusted, ONS.

¹⁵ *ibid*.

¹⁶ Source: Labour Force Survey, Dec-Feb 2014 quarters, not seasonally adjusted, ONS.

- The Youth Employment Strategy¹⁷, which encompasses an all-Government all-Scotland approach to tackling youth unemployment. It brings together the public, private and third sectors and social partners such as the Scottish Trades Union Congress. and business organisations to harness and align all available resources to support young people.
- The Opportunities For All Programme, which provides a guaranteed offer of a place in education or training for all 16-19 year olds. In 2011-12, 89.5 per cent sustained positive destinations (that is were participating in learning, training or work nine months after leaving school) compared with 87.2 per cent in 2010-11. Sustained positive destinations have continued to rise year on year to the current proportion from 84 per cent in 2007-08. The Scottish Government has provided £30 million funding over three years to support this commitment.
- In contrast to other parts of the UK, the Scottish Government has retained the Education Maintenance Allowance (EMA) to provide financial support to eligible 16-19 year olds from the lowest income families to enable them to continue to stay in education and learning beyond the school leaving age. In academic year 2012-13, £27.8 million of funding was provided to support 35,515 young people. Over a third (34 per cent) of all school pupils in Scotland received an EMA payment, with 25.6 per cent of all EMA recipients living in Scotland's 15 per cent most deprived areas.
- We are also taking forward a range of initiatives to make Scotland's education system connect young people to the world of work. For example, our Curriculum for Excellence is helping young people develop vital skills for life and work, while colleges are being reformed to ensure the skills people develop will help them find work and grow the economy.
- The Commission for Developing Scotland's Young Workforce, chaired by Sir Ian Wood, is looking at how to make our education and training even more responsive to the needs of the economy. More detail on this is provided in Box 3.

¹⁷ <http://www.scotland.gov.uk/Resource/0039/00396371.pdf>

Box 3: Commission for Developing Scotland's Young Workforce

Scottish Ministers established the independent Commission for Developing Scotland's Young Workforce in January 2013. Chaired by leading Scottish industrialist Sir Ian Wood and drawing its membership from the Scottish education and employer communities, the Commission has been tasked with developing recommendations to:

- Improve Scottish vocational and further education and training starting in the senior phase of school through to college and apprenticeships; and
- Encourage more employers to engage with education and to employ more young people directly from education.

The Commission published its interim report covering the first half of its remit in September 2013. The interim recommendations included:

- Vocational pathways leading to industry recognised qualifications such as the National Certificate and Higher National Certificate should start in the senior phase of Curriculum for Excellence;
- Careers advice should start earlier to support subject choices;
- Modern Apprenticeships should offer options to progress to degree level; and
- Employment should be the key outcome for college education.

The final report covering the second half of its remit will be published in the second quarter of 2014.

The Commission's interim report can be found at – <http://www.scotland.gov.uk/Topics/Education/edandtrainingforyoungple/commissiondevelopingscotlandsyoungworkforce/interimreport>

At the same time, almost £90 million is being invested in both helping Scotland's young people into work and supporting small business growth. This is part of a record funding initiative which brings together the Scottish Government, Local Authorities, the Convention of Scottish Local Authorities (COSLA), the European Budget and employers.

- This investment (launched in June 2012) is expected to support up to 10,000 young people Scotland-wide into work – particularly in small businesses. An additional 3,000 jobs

are expected to be created in small businesses around the country for workers of all ages.

- In all, it is comprised of two different funding streams:
 - The £50 million Youth Employment Scotland Fund, made up of £25 million from the Scottish Government and European Social Fund, matched by £25 million worth of in-kind support from employers and Local Authorities;
 - The £37.85 million SME Growth Programme to support businesses

to grow and create employment opportunities for people of all ages – including young people, made up of £15.1 million from the European Regional Development Fund (ERDF) matched by £22.75 million worth of support from SE and Business Gateway. As part of this Programme, the Business Gateway Plus programme has been designed to help small and

medium-sized businesses to recruit staff. More detail on this is provided in Box 5 on page 26.

Such funding is in addition to £130 million which have been committed for Community Jobs Scotland (Box 4), Educational Maintenance Allowances, post-16 transitions into employment and Inspiring Scotland's 14-19 year olds.

Box 4: Community Jobs Scotland

Community Jobs Scotland (CJS) programme is delivered by the Scottish Council for Voluntary Organisations (SCVO) in partnership with the Scottish Government. It provides young unemployed individuals aged 16-24 with paid work and additional training to help them progress into sustainable employment. To date, it has delivered over 4,000 placements through 565 third sector employers across all 32 Local Authorities in Scotland. The CJS programme began in 2011, and is now entering its fourth Phase, with up to £36 million of Scottish Government funding being provided to date.

In Phase 2, 63.6 per cent of participants achieved positive outcomes (moving into employment, volunteering or education) compared against appositive outcome rate of 57 per cent for Phase 1. An independent evaluation report on the first two phases of the CJS, published by Glasgow University in 2013, concluded that *“CJS remains a valuable programme that has been well-received by both young unemployed and employers and the Scottish Government’s continued investment in the project is making a difference to the lives of young people”*.

The commencement of Phase 3 in April 2013 saw the CJS programme expand to include young people who have lived through, or are living with, disadvantage. The age range criteria was extended from 16-19 to 16-24 year olds, with 10 per cent of the budget ring-fenced to ensure that this could be supported. In addition, SCVO are working in partnership with the Shaw Trust to provide additional help and support for CJS participants who are specifically disabled or have long-term health problems, with these participants guaranteed a CJS training opportunity at 16 hours per week for a minimum of 12 months.

Phase 4 of the CJS programme will run from April 2014 to March 2015. This Phase will see a further expansion of the programme, which will now include a pilot programme to target 100 care leavers and 100 ex-young offenders to provide the same guaranteed six-month training opportunity with Third Sector employers.

The independent evaluation report can be found at <http://www.scotland.gov.uk/Publications/2013/12/5843/0>

Employability Framework

Supporting young people into work, and ensuring that all of those who are out of work are able to access services to support them into work remains a priority for the Scottish Government. Employability, of all ages, is vital for ensuring that Scotland's potential is fully utilised.

In 2012, Scottish Ministers launched *Working for Growth*¹⁸ – a refreshed employability strategy for Scotland. *Working for Growth* emphasises that employability policy and investment across Scotland should have the twin purpose of supporting economic recovery and ensuring that those who struggle most in the labour market are not left behind in the competition for jobs. Key areas for action as *Working for Growth* is implemented include:

- Strategy and effective leadership;
- Greater integration and partnership working;
- Tackling inequality; and
- Improving performance.

Work to implement the strategy is underway, with key priorities for this year considering how employability resources are allocated; improved performance measurement; better alignment of economic development and employability activity at all levels and; assessing the impact of UK welfare reform on employability services. Action is being monitored by the Scottish Employability Forum, jointly chaired at a

senior political level by Scottish, UK and local government.

Employability Fund

The Employability Fund was introduced in April 2013 and brings together earlier National Training Programmes to provide a more flexible, outcome-focused provision for individuals which is responsive to the needs of employers and local labour markets. Working with Local Employability Partners, Skills Development Scotland is investing £34 million to improve outcomes for people moving towards and into work. Its aim is to support activity that will help to develop the skills needed to secure a job or progress to more advanced forms of training, with more than 17,000 training places for people in Scotland.

Support for Those Who Face Redundancy

The Scottish Government is continuing to take a different approach to the UK Government in responding to redundancy situations through its initiative Partnership Action for Continuing Employment (PACE). Initiated in March 2000, PACE is a national strategic framework that facilitates a consistent partnership approach which is subject to continuous improvement to enhance its operation for responding to redundancy situations. PACE ensures that local and national public sector agencies respond to potential and proposed redundancies as quickly, effectively and consistently as possible. Over the period April 2013

¹⁸ <http://www.scotland.gov.uk/Publications/2012/09/5609>

until March 2014, PACE has provided support to 11,674 individuals and 298 employers¹⁹.

Supportive Business Environment

The Scottish Government shares the Commission's ambitions for increasing entrepreneurship. It is the key to long-term business growth, employment creation and is closely linked to other objectives such as levels of innovation in the economy.

We are committed to maintaining and further investing in a Supportive Business Environment, which encourages business start-ups and provides an opportunity for all companies in Scotland to be successful, regardless of whether they are large or small, Scottish or international, new or old, or social enterprise.

Our efforts include a particular focus on growth companies, growth markets, and growth sectors.

A range of initiatives are being taken forward that help promote a supportive business environment in order to deliver sustained growth in the private sector.

Business Gateway

Business Gateway is the key delivery channel offering a first point of contact for all publicly-funded advice to potential start-up, early stage and established businesses in Scotland. Responsibility for its delivery was transferred to Local Authorities as part of the 2007 enterprise network reforms, recognising their key role in growing local economies, supporting local businesses and ensuring good integration with other Local Authority services. In 2012-13, Business Gateway assisted in the formation of 9,617 new businesses.

¹⁹ This figure covers the number of unique employers supported by PACE. The actual number of employers/sites engaged with PACE for support activities during the period April 2013 to March 2014 was 445.

Box 5: Business Gateway Plus

Scotland's Business Gateway Plus programme is designed to help small and medium-sized businesses to recruit staff.

The programme was set up in 2013, and is worth £12.2 million, with funding being provided by Scottish Local Authorities and ERDF (under the 2007-13 programme).

The programme is being used to enhance the delivery of a range of support activities provided by the Business Gateway service to small businesses across Scotland. It has been developed to support growth and help create employment in small, particularly, micro businesses.

The Business Gateway Plus projects include:

- Human resources support to assist with job creation;
- Addressing gaps in entrepreneurial support;
- Provide support for early stage growth;
- Advisory support/expert help for SMEs; and
- Support for innovation and growth.

Over the life of the programme it is anticipated that these services will engage over 800 companies in entrepreneurial support, increase the turnover of those companies supported by over £86 million, provide e-commerce support for over 1,400 businesses and help create 1,400 jobs.

Scotland's Enterprise Agencies

The Scottish Government is committed to supporting economic growth through policies at a national and local level and working with partners throughout Scotland.

As part of this, and in contrast to the UK Government, the Scottish Government have retained Scotland's Enterprise Agencies – Scottish Enterprise (SE) and Highlands & Islands Enterprise (HIE) – with a focus on supporting growth and accelerating economic recovery.

The work of the agencies is vital, with a prioritisation of their activities toward a strategic focus on growth and prosperity at the national level, allowing local government to focus their activities on delivering effective local business support and regeneration. In particular, the enterprise agencies work to support those companies in Scotland with the strongest growth ambitions, provide support to stimulate innovation, knowledge transfer and commercialisation, help companies to improve their resource efficiency and

help the development of Scotland's growth sectors, including renewable energy, creative industries and tourism.

Scottish Development International (SDI), a joint venture with SE, HIE and the Scottish Government, also plays an important role in supporting internalisation of Scottish firms, through encouraging firms to become exporters. Further information is provided later in this chapter.

Enterprise Areas

The Scottish Government is supporting investment in some of Scotland's most dynamic industries through our four Enterprise Areas²⁰, comprising 15 locations across Scotland. The targeted support available in Enterprise Areas, which complements enterprise agency and Business Gateway services, is positively impacting development at these locations. Two years into a five-year policy incentives like business rates relief, worth up to £275,000 over the policy timeframe, streamlined planning protocols and bespoke skills support has helped attract 32 businesses. These businesses are start-up and growing businesses that have already expanded their workforce or have clear growth ambitions which the support and vacant land/modern accommodation in Enterprise Areas will help facilitate.

Encouraging Entrepreneurship

Increased entrepreneurial activity is a key driver of sustainable economic growth. These and other areas are directly addressed in *Scotland CAN DO*²¹, our new framework for entrepreneurship and innovation launched in November 2013. The document makes clear our ambition and sets out the priority areas to see Scotland become a world-leading entrepreneurial and innovative nation. It makes equally clear that success can only be achieved through a Team Scotland approach drawing on the energy and contributions of public, private and third sector partners.

Such co-working is also reflected by the Scottish Encouraging Dynamic Growth Entrepreneurs (EDGE) Fund²². Launched in 2012, the Fund aims to support and encourage entrepreneurial activity among young companies in Scotland, delivering investments of up to £50,000 to businesses with growth potential. The Fund is delivered by SE and HIE in partnership with private partners, such as The Royal Bank of Scotland, and third sector partners, such as E-Spark. To date, the EDGE Fund has delivered investment totalling £1.9 million, helping 55 of our most dynamic early-stage businesses to create 65 new and sustainable jobs as well as creating £702,000 in turnover and £1.4 million in further investment.

²⁰ <http://www.scotland.gov.uk/Topics/Economy/EconomicStrategy/Enterprise-Areas>

²¹ <http://www.scotland.gov.uk/Publications/2013/11/7675>

²² <http://www.scottish-enterprise.com/services/support-for-entrepreneurs/scottish-edge/overview>
<http://www.hie.co.uk/business-support/entrepreneurship/the-scottish-edge/>

Building on this, the Scottish Government launched the Young EDGE Fund²³ in February 2014. Open to young people aged 18-25 years, this competition runs in parallel and complementary to the 'senior' Scottish EDGE Fund. Awards of up to £10,000 will be made to young businesses judged to be most capable of growth.

The Scottish Government is continuing to support The Young Innovators Challenge²⁴. With an £80,000 prize fund, this competition is open to young people aged 18 or over who are at college or university, taking part in a national training programme or studying for a Modern Apprenticeship. Up to 170 winners will receive between £100 and £2,500 to develop innovative ideas related to three key social themes – healthcare and wellbeing, green and sustainable energy resources, and smarter communities and infrastructure. We are also continuing to support the work of Prince's Trust Youth Business Scotland²⁵ alongside newer initiatives like Bridge2Business²⁶ in the college sector and We Are the Future²⁷, which runs events aimed at helping and inspiring the next generation of entrepreneurs.

Alongside helping young people to be more entrepreneurial, we are working to close the gender gap in enterprise. We are supporting Women's Enterprise Scotland²⁸ to deliver on the new Women in Enterprise action framework, launched in March 2014. Amongst other things, this will include a role modelling and mentoring projects designed to inspire and support greater levels of female entrepreneurship in Scotland. We are also supporting Investing Women²⁹ to deliver a series of events throughout the country that will help entrepreneurs become investment-ready.

Increasing Scottish Firms' Exposure to International Trade and Investment

Increasing export activity and broadening firms' exposure to international trade – in particular our small firms – will be key to boosting competitiveness and rebalancing the Scottish economy. Trade presents an excellent opportunity for Scottish firms to grow their market, innovate and become more competitive – particularly in emerging international growth markets. It will also be important for Scottish firms to build new, and strengthen existing, trade links with traditional markets – for example, in 2012, the European Union accounted for 44.9 per cent of Scotland's international exports³⁰.

²³ *ibid.*

²⁴ <http://www.sie.ac.uk/about-sie/sie-activities/young-innovators-challenge.aspx>

²⁵ <http://www.princes-trust.org.uk/default.aspx?page=9405>

²⁶ <http://www.yes.org.uk/what-we-do/ages-17-to-25/bridge2business.htm>

²⁷ <http://www.wearethefuture.org.uk/>

²⁸ <http://www.wescotland.co.uk/>

²⁹ <http://www.investingwomen.uk.com/>

³⁰ <http://www.scotland.gov.uk/Topics/Statistics/Browse/Economy/Exports/GCSIntroduction>

In light of this, the *GES* established an ambitious target for Scottish businesses to deliver a 50 per cent increase in the value of international exports by 2017. The latest *Global Connections Survey*, published January 2014, shows that exports have increased 14 per cent from £22.8 billion in 2010 to £26 billion in 2012³¹.

Operating as a joint venture with SE, HIE and the Scottish Government, SDI undertakes a range of activities to help foreign companies invest and thrive in Scotland, and local enterprises make the most of international trade and global markets.

In 2012-13 SDI supported more than 2,000 companies through a range of trade activities, such as workshops,

trade missions and in-market support (an increase of 52 per cent from 2011-12). Over the same period, SDI worked with 229 companies on significant new international projects with a projected growth of £818 million in sales over the next three years. This is up from the £733 million that was achieved through the same activity in the previous year.

In addition, SDI has a network of 27 overseas offices, with over 100 sales professionals promoting Scotland across the world. They are on hand to facilitate business opportunities for Scottish companies in new markets. Over the last two years SDI has increased its overseas footprint in key markets including China, India, Brazil and the Middle East.

³¹ *ibid.*

INNOVATION AND R&D

Scotland has a global reputation for science and engineering, with a world-class research base, and top-ranking universities.

The Scottish Government recognises that innovation is crucial for rebalancing the economy and improving businesses' productivity and competitiveness. As highlighted in the *GES*, the Scottish Government is focused on innovation in its widest sense – covering the development of new processes, products, services and business models to take advantage of global and market opportunities, often through incremental change.

This chapter outlines the actions taking place throughout Scotland aimed at boosting innovation and commercialisation and developing Scotland's digital economy, highlighting the Scottish Government's support for the EU's flagship initiatives, 'Innovation Union' and 'Digital Agenda for Europe'.

Europe 2020 headline target:

In order to encourage greater participation in Innovation and Research & Development activities Europe 2020 has set a target on:

“raising the combined public and private levels in research and development to 3 per cent of GDP”

Current Scottish Performance

The *NPF* set out in Chapter 1 includes a National Indicator to *Increase Research and Development Spending in Scotland*³². This indicator compares Scotland's Gross Expenditure on Research and Development (GERD) as a percentage of GDP with the equivalent average figure for the EU27. In 2012, Scotland's GERD as a percentage of GDP was 1.58 per cent. For the EU27, the comparable figure was 1.97 per cent, thus representing a gap of 0.38 percentage points³³. GERD as a percentage of GDP in Scotland has remained broadly unchanged since 2006.

The Scottish Government also recognises the importance of ensuring the knowledge generated in Scotland's universities is effectively exchanged with business. The *NPF* therefore also includes an indicator on knowledge exchange (KE) from university research³⁴. The indicator measures universities' income from KE activities³⁵ such as licensing, consultancy and the delivery of professional training. In 2011-12, the KE index is estimated to have been 4.1 per cent below the previous year, and 3.0 per cent below the baseline year of 2007-08.

Scotland's innovation performance is also measured through wider innovation expenditure (Community Innovation Survey). The latest data show that over the period 2008-2010, around 33 per cent of firms were 'innovation active'.

The latest Scottish participation figures for the EU's Seventh Framework Programme for Research (FP7), up to end November 2013, show that Scottish organisations secured funding of almost €636 million. This represents around 1.6 per cent of the total allocated FP7 funding and around 10 per cent of the UK allocation. Of this amount around €538 million has been awarded to Scottish Higher Education organisations and Research Institutes. Scottish businesses, public bodies and other organisations secured almost €97 million. This performance exceeds previous engagement levels in European research and development programmes (both in terms of numbers of participations and total amount allocated) and we hope to build on these positive results in Horizon 2020.

Horizon 2020

The Scottish Government is strongly supportive of Horizon 2020 – the European Union's programme for Research and Innovation, and a key pillar of the Innovation Union, one of Europe 2020's flagship initiatives.

To help support engagement in Horizon 2020 the Scottish EU Research and Innovation Steering Group has delivered a package of support for Scottish organisations, with more detail provided in Box 6.

³² <http://www.scotland.gov.uk/About/Performance/scotPerforms/indicator/research>

³³ Note that the gap is calculated on unrounded data.

³⁴ <http://www.scotland.gov.uk/About/Performance/scotPerforms/indicator/knowledge>

³⁵ Stripping out the effects of inflation and public funding for KE activities.

Box 6: The Scottish EU Research and Innovation Steering Group

The Scottish EU Research and Innovation Steering Group was established in 2010 to help support increased participation in European research and innovation programmes. Membership of the Group comprises representatives from innovation, science, academic research and European policy teams from the Scottish Government, the SFC, SE, HIE, Scotland Europa and Enterprise Europe Network.

One of the aims of the Steering Group is to ensure that businesses, the academic community and those in the public sector and research and technology organisations are fully informed about, and able to respond to, the opportunities within Horizon 2020. During 2013, the Steering Group worked in collaboration with other public and private sector stakeholders to hold a series of awareness-raising and partner-building events throughout Scotland. Over 800 participants from academia, businesses and the private, public and third sectors attended these events.

In addition to these events, the Steering Group also contributed to the development of a new Horizon 2020 SME Engagement Scheme that provides expert knowledge and assistance for SMEs looking to explore the opportunities within Horizon 2020. The Steering Group was also a key contributor in developing and articulating Scotland's approach to Europe's Smart Specialisation Strategy.

The Steering Group is now looking at the next phase of activities to support engagement with Horizon 2020 among Scotland's academic and business communities. These activities may include hosting project development workshops and projects clinics, proposal writing Master classes and additional support to develop project ideas or proposals.

Boosting Innovation and Commercialisation in Scotland

Innovative companies and sectors are key drivers of productivity and competitiveness. Improving Scotland's innovation performance will make a considerable difference to the long-term growth of the Scottish economy.

The Scottish Government is fully committed to ensuring that Scotland becomes an innovation nation, and has a portfolio of supporting actions to achieve this including:

- The current Spending Review, covering the period 2012-13 to 2014-15, committed a minimum of £45 million annual expenditure in each year to SMART: SCOTLAND. This £45 million sum comprises funding for innovation through a number of programmes delivered through the Scottish Government, the Enterprise Agencies, and the Scottish Funding Council (SFC);
- The establishment of a Single Knowledge Exchange Organisation

(SKEO) launched under the banner 'Innovation Scotland' in October 2013. Innovation Scotland will provide a coherent and effective support mechanism for businesses and universities to work together to improve and simplify the experience of Scottish businesses who work with Scotland's universities to develop and exploit innovative ideas. This is being led by the SFC in collaboration with SE and HIE. SFC have reallocated £4.15 million over four academic years (2013-14 to 2016-17), from existing budgets, to deliver Innovation Scotland. Total strategic funding provided in support of knowledge exchange for the 2013-14 academic year will be £17.8 million;

- Supporting the establishment of a number of Innovation Centres, where businesses and universities can work together to drive innovation in and across Scotland's key sectors. The first phase on Innovation Centres was launched in April 2013. The second-stage process is well underway with the fourth centre launched in February 2014 and further Innovation Centres to be announced throughout the year. Further detail is provided in Box 7;
- Continued support of Interface³⁶, the free, national service which match-makes businesses with research resources in Scotland's universities and research centres. Now in its eighth year, Interface has supported over 1,000 companies, identified around 1,400 opportunities and brokered over 450 business-led collaborative projects with Scotland's academic institutions. A report compiled by Biggar Economics and Interface (2013)³⁷ – estimates that collaboration between businesses and academia will be worth £79.9 million GVA annually and a total of 2,399 jobs within the next three to five years. Interface will also administer the newly introduced Horizon 2020 SME Engagement Scheme³⁸;
- Supporting inventors through Bright Idea Scotland³⁹. This new service, launched in 2013, provides support for early-stage inventors through a range of surgeries, workshops and online resources to help maximise the commercial economic returns of new business ideas; and
- As highlighted in the encouraging enterprise section, actively encouraging a culture of creativity and entrepreneurship amongst the 18-24 year olds through the Young Innovators Challenge.

³⁶ <http://www.interface-online.org.uk/>

³⁷ <http://www.interface-online.org.uk/sites/default/files/Annual%20report%2013-%20FV.pdf>

³⁸ This initiative will provide up to £5,000 per application to support Scottish based SMEs in exploring opportunities within Horizon 2020 and help them apply for particular schemes or calls under it, with the assistance of a Scottish Higher Education Institute.

³⁹ <http://www.brightideascotland.com/sgx/>

Box 7: Innovation Centres

The Scottish Government, in partnership with SE, HIE and the SFC, have established a network of Innovation Centres. Innovation Centres are collaborations between universities, businesses and others to enhance innovation in and across Scotland's key economic sectors. Centres already established include Oil and Gas, Industrial Biotechnology and Digital Medicine.

Innovation Centres aim to offer collaborative knowledge exchange and research activities, in response to industry-defined problems. They will enhance knowledge exchange between universities, industry and others to realising tangible benefits for businesses. Innovation Centres will provide an environment that supports the development of the next generation of business innovators, academics and entrepreneurs in Scotland, and encourage greater and more effective university/industry collaboration between universities and industries. They will also simplify the innovation landscape in Scotland by making it easier for businesses in Scotland to access universities' knowledge and expertise, while also complementing existing initiatives like Interface and Innovation Scotland.

Through the SFC, the Scottish Government is providing £124 million funding for Innovation Centres over the next six years. Innovation Centres are already beginning to produce results, with the Digital Health Institute (established by the University of Edinburgh) working in collaboration with Samsung and NHS Fife to produce BabySam, a device that allows parents of premature babies to view their baby live through a tablet connected via Wi-Fi to a camera in the neonatal cot. Such collaborations illustrate how, in time, Innovation Centres can change scale and nature of university-business relationships in Scotland, enhancing innovation and sustainable economic growth.

Encouraging Innovation Through Joint Working

Joint working across Scotland's public sector agencies is key to ensuring there is an efficient approach to encouraging and supporting innovation and commercialisation. This 'Team Scotland' approach has been used through the work of the Scottish EU Research and Innovation Steering Group, which is outlined in Box 6.

Scotland is also engaging with other European regions to learn from their practices and to present Scotland's

approach to a wider audience. This includes participating in the European Commission's Smart Specialisation platform, which is driving excellence and specialisation in regional innovation. Scotland is also a member of the Vanguard Initiative for Smart Specialisation. This is a collaboration of innovating EU regions that aims to influence the future direction of innovation and entrepreneurship within Europe.

Scotland is taking steps to actively address common challenges and

opportunities faced by society across Europe. Scotland is a recognised leader in the fields of telehealth, telecare and eHealth. For example we are key partners in the European Innovation Partnership on Active and Healthy Ageing, a major initiative of the European Commission which is part of the Innovation Union Strategy and has at its heart the goal to improve healthy life-years for European citizens by two years by 2020. Scotland is one of only three regions in Europe to have been awarded two three-star ratings for its work in this area, and is playing a lead role in promoting the spread and adoption of ICT-enabled integrated care, helping to reduce unnecessary hospitalisation of, for example, older people with chronic conditions. This work is instrumental in shaping and developing future Horizon 2020 funding calls, with Scotland well-placed to benefit.

We continue to support innovation in our growth sectors, such as life sciences, through adopting models and solutions to address market opportunities and sector challenges. For example, we are taking steps to encourage collaboration between key partners in health and the life sciences sector through programmes such as the Health Innovation Partnerships. This initiative provides a supportive environment for industry to engage with clinicians and the National Health Service, and they are already resulting in products being developed to aid the diagnosis and treatment of patients.

Digital Infrastructure

The flagship initiative on 'A Digital Agenda for Europe', set out in Europe 2020, aims to speed up the roll-out of high-speed internet in order to reap the benefits for households and firms.

This ambition is aligned with the focus in the *GES*. This identifies next generation broadband infrastructure as a support for future innovation in the digital economy and the means of ensuring Scotland's businesses (particularly in rural communities) remain competitive in the global digital environment.

Digital Scotland

Scottish Ministers' aspiration is for Scotland to be a leading digital nation by 2020. *Scotland's Digital Future: A Strategy for Scotland*⁴⁰, published in 2011, outlines the key elements that are required to ensure Scotland is well positioned to take full advantage of the digital age including:

- Ensuring that businesses and individuals at all ages and stages can develop the digital skills they need to make the most of the social and economic opportunities the digital revolution presents;
- Ensuring that there is a vibrant and thriving digital economy in Scotland where our companies can make best use of digital technologies to grow and develop their business and compete internationally;

⁴⁰ <http://www.scotland.gov.uk/Topics/Economy/digital>

- Embracing the transformation of our public services and taking advantage of the opportunity digital technology presents to drive efficiency and deliver easier and better services to customers; and
- Closing the digital divide by delivering world-class digital infrastructure for Scotland by 2020 and ensuring a significant increase in coverage has been achieved by 2015.

The Scottish Government's *Second Annual Progress Report*⁴¹ on the steps made towards the ambition for Scotland to be a leading nation by 2020 was published in October 2013.

Key areas of progress included signing two of the largest next generation broadband contracts in Europe (further details provided below), establishing the Business Excellence Partnership with leading representatives from our enterprise and skills agencies to drive growth in the digital economy and appointing a Director of Digital Participation, in partnership with SCVO, to reinvigorate the Digital Participation Charter and increase the rate of digital literacy in Scotland.

Broadband

The Scottish Government has set out our intent to deliver a step change in broadband speeds by 2015, paving the way for delivery of a world-class, future-proofed digital infrastructure across Scotland by 2020. The infrastructure investment in the

Digital Scotland Superfast Broadband Programme is an important step towards achieving this. This £410 million infrastructure involves two of the largest and most complex broadband infrastructure projects in Europe and will deliver next generation access to communities in areas where the market will not go. That will allow households and businesses right across the country to enjoy the benefits of high quality digital connectivity.

Both of the Digital Scotland Superfast Broadband projects are being delivered in partnership with BT. The Highlands and Islands project will involve laying 800 km of new fibre on land and 400 km of sub-sea cables to provide 19 crossings to remote islands. The total project value is around £146 million, with the public sector investing around £120 million.

Around £157.6 million of public sector funding is being invested in the Rest of Scotland project to deliver fibre broadband to over 600,000 homes and businesses in 130,000 postcode areas. BT is also investing £106.7 million investment in the project.

Alongside commercial coverage, the Digital Scotland Superfast Broadband Programme will extend access to superfast broadband infrastructure to 85 per cent of premises across Scotland by 2015-16 and 95 per cent by 2017-18.

Community Broadband Scotland (CBS) was established in 2012

⁴¹ <http://www.scotlandsdigitalfuture.org/>

and is a complementary initiative to the Digital Scotland Superfast Broadband Programme which supports community-led broadband projects in the 'hardest to reach' rural communities. It is a partnership between the Scottish Government, SE, HIE, COSLA, Scottish Local Authorities Economic Development Group, Carnegie UK Trust and Scotland's National Park Authorities. HIE is the main delivery agent for this initiative. CBS is targeted at those communities that are least likely to benefit from a next generation broadband solution under the current Digital Scotland Superfast Broadband Programme.

With an initial investment of £5 million, CBS will empower and enable communities to find innovative, sustainable solutions to access high-speed and superfast broadband using a mix of technologies that would otherwise not be available to these areas. CBS will fund up to 89 per cent of capital costs for eligible communities to deploy local networks as well as providing support to communities in the design and delivery of these networks. CBS support has already helped deliver broadband to a number of communities, including Applecross, Achmore and Loch Eil.

Scotland's Digital Future - Infrastructure Action Plan, published in 2012, outlines a commitment to a world-class, future-proofed infrastructure that will deliver digital connectivity across the whole of Scotland by 2020. The Demonstrating Digital programme is a critical part of this plan as it demonstrates innovative

approaches, solutions and digital technologies. A recent example of this has been the digital inclusion project with Glasgow Housing Association and BT to provide affordable wifi to 138 homes in a tower block in the GHA housing stock.

Scotland's Digital Future - Delivery of Public Services

*Scotland's Digital Future - Delivery of Public Services*⁴², jointly introduced in 2012 by Scottish Ministers and COSLA, is a key enabler of our public service reform programme. The strategy sets out our overarching vision that Scotland is a country in which digital technology provides a foundation for innovative, integrated public services that cross organisational boundaries and deliver responsively to those who need them.

The priority actions will contribute to the four pillars of public service reform as follows:

- Prevention – Our agreed national priorities for effective use of data will allow services to be tailored to individual's needs and allow more effective use of predictive analytics to plan and target services to those most in need at an early opportunity;
- Performance – Developing standards for both quality of design of online services, and for the 'look and feel' of the services through consistent application of design principles will be a crucial element. The transformation programme mygovscot will deliver on this along with our common approach

⁴² <http://www.scotland.gov.uk/Publications/2012/09/6272>

to verification and sign in which will make accessing public services simpler for citizens;

- People – Our ambitions include a skilled and empowered workforce delivering citizen-focused public services. The key elements of our workforce actions are to identify the skills and capabilities required to drive progress and to collaborate within and across sectors as part of the wider approach to development of the public sector workforce; and
- Partnership – The strategy and our key national priorities will be delivered through our public sector wide governance and supported by actions within the national and sectoral strategy. Our collaborative approach ensures we reuse before we buy or build.

Our first major partnership project is the Scottish Wide Area Network (SWAN) which aims to establish a single shared network and common ICT infrastructure across Scotland's entire public sector. More than 4,600 sites will be connected to the initial network including schools, hospitals, GP surgeries, pharmacists and local council offices. Key benefits include reduced costs, improved service and the ability to share data across organisations, fostering co-operative working. The initial value of the contract is £110 million, rising to a potential £325 million as more public bodies take up the contract. The initial partners for SWAN are: NHSScotland's 22 Health Boards; Education Scotland; Pathfinder North (five Local Authorities comprising of Highland; Argyll & Bute; Moray; Orkney and Western Isles); and Pathfinder South (two Local Authorities comprising of Dumfries and Galloway and Scottish Borders).

TRANSITION TO A LOW CARBON ECONOMY

Securing the transition to a low carbon economy is an essential element within the *GES* – with implications for business, government and Scotland’s people.

The Scottish Government’s current programme highlights the role that transitioning to a low carbon economy has in rebalancing the economy. Scotland can become a world leader by capitalising on its abundant natural resources and its academic and engineering excellence.

This chapter sets out the activities being undertaken across Scotland in support of the transition to a low carbon economy and the EU’s flagship initiative, ‘Resource Efficient Europe’.

Europe 2020 headline targets:

- Reducing greenhouse gas emissions by 20 per cent compared to 1990 levels (or by 30 per cent if conditions are right);
- Increasing the share of renewable energy sources in final energy consumption to 20 per cent; and
- A 20 per cent increase in energy efficiency.

Current Scottish Performance

The Scottish Government has established a range of targets which are focused on driving Scotland's transition to a low carbon economy, including: reducing greenhouse gas emissions; increasing the level of electricity demand from renewables; and increasing the proportion of primary energy demand from renewables.

The Climate Change (Scotland) Act 2009 established ambitious emissions reduction targets for reducing greenhouse gas emissions by at least 42 per cent by 2020 and at least 80 per cent by 2050. As of 2011, there has been a fall in total greenhouse gas emissions of 25.7 per cent in Scotland from the base year of 1990, when including international aviation and shipping and our participation in the EU Emission Trading Scheme (ETS). Between 2010 and 2011 such emissions decreased by 2.9 per cent (1.6 million tonnes carbon dioxide equivalent) after taking account of the ETS.

The Climate Change (Scotland) Act also set out a requirement for an energy efficiency target to be established. The target was defined as a 12 per cent reduction in final energy consumption against a 2005-2007 baseline. Consumption in 2011 was 9.2 per cent lower than the baseline and was 2.5 per cent lower than it had been in 2010.

The Scottish Government target for renewable electricity generation is for renewables to generate the equivalent

of 100 per cent of gross annual consumption by 2020. Figures published in December 2013 confirmed that 40.3 per cent of Scotland's electricity needs came from renewables in 2012. Provisional figures indicate that this increased to 46.5 per cent in 2013.

Scotland is also making good progress towards its renewable heat target of 11 per cent of Scotland's heat demand from renewables by 2020. In 2011, renewable heat generation equated to 2.6 per cent of Scotland's non-electrical heat demand, up from 1.9 per cent in 2010 and 1.0 per cent in 2009.

Opportunities from a Low Carbon Economy

The Transition to a Low Carbon Economy provides an opportunity to take advantage of Scotland's comparative natural advantages. The Scottish Government intends to do this through a shift towards renewable energy, a focus on energy and resource efficiency, and a commitment to the low carbon and environmental goods and services (LCEGS) sector.

Second Report on Proposals and Policies (RPP2)

*Low Carbon Scotland, Meeting the Emissions Reduction Targets 2013-2027*⁴³, the *Second Report on Proposals and Policies (RPP2)*, published in June 2013, details a package of measures which can deliver Scotland's world-leading and ambitious climate change targets up to 2027. By 2011,

⁴³ <http://www.scotland.gov.uk/Topics/Environment/climatechange/scotlands-action/lowcarbon/meetingthetargets>

Scotland was more than halfway to meeting the 2020 target of cutting greenhouse gas emissions by 42 per cent. The *RPP2* shows how Scotland will now step up its effort to deliver even greater emissions reductions. Plans include a new decarbonisation target to cut carbon emissions from electricity generation by more than four-fifths by 2030; a commitment to deliver the equivalent of

at least 100 per cent of gross electricity consumption from renewables by 2020; a National Retrofit Programme to transform older and colder homes into energy efficient homes; and a £50 million Warm Homes Fund providing grants and loans for renewable energy measures to heat homes.

Box 8: Aberdeen Hydrogen Bus Project

The Aberdeen Hydrogen Bus Project, led by Aberdeen City Council, will see 10 hydrogen buses – the largest fleet of hydrogen buses in Europe – operate on routes within Aberdeen and Aberdeenshire.

A range of public and private sector partners are contributing to this initiative. Of the project budget of £19 million, Aberdeen City Council are contributing £2 million, the Technology Strategy Board are contributing £2.4 million, while the Scottish Government and Scottish Enterprise are each contributing £1.7 million. Stagecoach and First Group are contributing £2 million, while the European Union is contributing £8.3 million of funding.

First Group and Stagecoach will begin to operate services later in 2014 and the fleet will be refuelled at Scotland's first large hydrogen refuelling station, which will also be able to fuel hydrogen powered cars and vans. The station will be the first of its kind in the UK – producing 'green hydrogen' made by splitting water with electricity. This technology can also help make best use of Scotland's renewable energy resources through producing and storing hydrogen at times of peak wind availability. This can then be used to fuel vehicles or for other uses such as heating, or even turning back into electricity for the grid using fuel cells, at times of peak demand.

Routemap for Renewable Energy

The Scottish Government's 2020 Routemap for Renewable Energy in Scotland sets out the collective actions needed to achieve the target to meet the equivalent of 100 per cent of Scotland's electricity demand from renewable energy by 2020, together with targets for renewable heat and an increase in the community and local ownership of renewable projects. The focus is on overcoming the barriers to the continued growth of the renewables sector, such as attracting the necessary levels of investment in infrastructure and technology. The Routemap is updated annually to highlight developments and reflect emerging challenges. The December 2013 update reported good progress, including detailing significant investment in electricity grid networks and export capacity, and investment in port and harbour infrastructure to enable the manufacturing and deployment of offshore renewables.

Renewable Energy Investment Fund

The Renewable Energy Investment Fund (REIF) was established as a three-year fund in 2012 with £103 million funds from the Fossil Fuel Levy (FFL) account. Its purpose is to support development in renewable energy through commercial loans and equity. The Scottish Investment Bank are making good progress with developing a pipeline of projects for REIF, particularly in community energy and marine energy.

The Scottish Government believes that wider market uncertainty, caused in part by UK Electricity Market Reform, is delaying overall demand, and this has been factored into the REIF profile of spend by Scottish Ministers in agreeing to an extension of the Fund for a further year to 2015-16. The Scottish Investment Bank continue to look at ways to adapt REIF to suit market conditions and to maximise support.

Support for Renewable Energy Technologies

The Scottish Government is supporting a range of projects and incentives to support renewable energy technologies, including the Saltire Prize and the European Maritime Energy Centre (EMEC).

The Scottish Government's £10 million Saltire Prize⁴⁴ for marine renewable energy is the world's largest marine innovation prize. It was created to accelerate the commercial development of wave and tidal technologies. Currently, there are five competitors: Pelamis Wave Power (wave), Aquamarine Power (wave), Scottish Power Renewables (tidal), MeyGen (tidal) and West Islay Tidal (tidal).

The EMEC⁴⁵ in Orkney is an internationally-renowned testing facility for wave and tidal energy prototypes. It was built with over £30 million of public sector funding. EMEC celebrated its tenth anniversary in 2013 and remains the world's leading test and certification centre, attracting marine energy

⁴⁴ <http://www.saltireprize.com/>

⁴⁵ <http://www.emec.org.uk/>

developers from around the globe. To date, more marine energy devices have been tested at EMEC than at any other single site in the world.

Support for the Electricity Network

Alongside supporting renewable technologies, the Scottish Government is engaged in a variety of activities to support investment in the electricity network.

The Irish-Scottish Links on Energy Study (ISLES) is a collaborative project between Scotland, Ireland and Northern Ireland. It seeks to facilitate and stimulate investment in an offshore interconnected transmission network. The first phase of the project focused on the significant potential for capturing wind, wave and tidal energy and demonstrated that the development of an inter-connected network could help overcome barriers and deliver the benefits from our collective resources.

Part-funded by the EU's INTERREG IVA Programme, ISLES II – entitled 'Towards Implementation' – aims to move the concept of an offshore network further towards reality, an aim further enhanced by its designation as a Project of Common Interest (PCI) by the European Commission in October 2013. The project is one of 248 key PCI energy infrastructure projects established by the new guidelines for trans-European energy infrastructure (TEN-E). It is anticipated that the results of ISLES II will be communicated in the Spring of 2015.

With the right policy and regulatory support, the islands of Orkney, Shetland and the Western Isles have the potential to generate 4 TWh of renewable electricity. Realising this potential will also create thousands of jobs on the islands and across the UK. For this to take place, each of the islands requires sub-sea transmission links to the mainland to be built. The high transmission costs associated with such projects, in this part of the GB network, has been a key factor in holding back progress to date. The Scottish Government is engaged in a range of activities with the UK Government, the regulator, Island Councils, the Transmission Owner, the System Operator, Enterprise Agencies and developers to establish the remaining challenges to delivery. Significant progress has been made in the last 12 months and we are determined that this momentum is maintained to help deliver the links required and the associated benefits by 2020.

In addition, Scotland is leading the way across the UK in how government supports local and community ownership of renewable energy. The Scottish Government has an ambitious target for 500MW of community and locally owned renewables to be operational by 2020. It is estimated that achieving this target could be worth up to £2.4 billion to Scottish communities and rurally owned businesses over the lifetime of those projects. A report by the Energy Saving Trust⁴⁶, published

⁴⁶ <http://www.energysavingtrust.org.uk/scotland/Publications2/Communities/Community-and-locally-owned-renewable-energy-PDF-2013>

25 April 2014, shows that as of June 2013 there was just under 300 MW of community and locally owned renewable generating capacity across Scotland – comprising of 168 MW of electrical and 114 MW of heat capacity. This represents a 40 per cent increase on the last report.

Skills Required for a Low Carbon Economy

Through Skills Development Scotland the Scottish Government is refreshing the *Skills Investment Plan for the Energy Sector*, first published in March 2011, to better understand the skills needs of employers. Support for the sector can be seen through the commitment to ring-fence 500 Modern Apprenticeship starts each year of the current parliament for energy employers. Additionally, the Scottish Government remains committed to supporting businesses to develop their own solutions to meet their skills and workforce needs, including the Nigg Skills Academy⁴⁷ developed by Global Energy Group, which provided 100 Modern Apprenticeship starts in 2012-13. The Low Carbon Skills Fund (LCSF)⁴⁸ has provided over 2,000 training places for SME businesses across Scotland since 2010, allowing them to up skill their existing workforce in low carbon areas.

Maximising the Social and Economic Opportunities of Energy and Resource Efficiency

Supporting the shift towards a low carbon economy that is efficient in the way it uses its resources is a key aim of Europe 2020.

Achieving high levels of resource efficiency and cutting waste out of processes is critical to improving productivity and competitiveness, and reducing the carbon intensity of economic activity.

To help improve levels of resource efficiency a range of actions are being taken forward in Scotland, which are focused on providing support to business, helping to improve the energy efficiency of households.

Energy Efficiency

The EU energy efficiency target is to reduce primary energy consumption by 20 per cent against a projected 2020 business as usual baseline. Scotland established an energy efficiency target in the *Conserve and Save Energy Efficiency Action Plan*, published 2010, to reduce final energy consumption by 12 per cent against a 2005-2007 baseline.

⁴⁷ <https://www.niggskillsacademy.com/>

⁴⁸ <http://www.skillsdevelopmentscotland.co.uk/our-services/services-for-employers/training/low-carbon-skills-fund.aspx>

As highlighted previously, the most recent data, published September 2013, indicated that final energy consumption in 2011 was 9.2 per cent lower than the baseline adopted for Scotland's target. Progress reports are published periodically. The annual report, accompanied by a formal review of actions set out in the *Energy Efficiency Action Plan*, was published in May 2013⁴⁹.

In 2012-13, over £4.65 million was paid out to 167 SMEs through interest-free SME loans (which range from £1,000 to £100,000) to help businesses install measures that reduce energy, material resource and water consumption. The Scottish Government also provided a further £10.3 million green stimulus fund over this spending review period to accelerate energy efficiency projects across the public sector.

Heat Generation Policy Statement

The Scottish Government published a draft *Heat Generation Policy Statement* for consultation on 4 March 2014, which sets out our approach to largely decarbonising the heat system by 2050, diversifying sources of heat, reducing pressure on household energy bills and maximising the economic opportunities of the transition to a low carbon heat sector. This document explains the challenges facing Scotland, what the Scottish Government is doing with its partners to tackle these challenges, what the next steps are, and who is going to

deliver them. It sets out the Scottish Government holistic policy for heat use, supply and generation.

Sustainable Housing Strategy

*Scotland's Sustainable Housing Strategy*⁵⁰ was published in June 2013 and sets out the Scottish Government's vision for warm, high quality, affordable, low carbon homes and a housing sector that helps to establish a successful low carbon economy across Scotland. The Strategy contains a number of actions which will support this vision. These include:

- Our national retrofit programme, Home Energy Efficiency Programmes for Scotland (HEEPS), which will help meet our fuel poverty and climate change targets and enable Scottish households and businesses to get maximum benefit from energy company and other investment. The Scottish Government has allocated a £74 million budget to tackle fuel poverty and reduce emissions through HEEPS in 2013-14 and £79 million for each of the following two years.
- The consideration of legislative amendments to improve private sector house condition and energy efficiency in tenements, as well as potential future use of energy efficiency standards in the private sector. We will introduce a new Energy Efficiency Standard for Social Housing in 2014.

⁴⁹ <http://www.scotland.gov.uk/Publications/2013/05/2162>

⁵⁰ <http://www.scotland.gov.uk/Publications/2013/06/6324>

- The transformation of the financial market in order to lead to a housing market where sustainability is positively valued and attracts a financial premium, in both new and existing housing. We will be actively engaging with lenders, consumers and surveyors to evaluate the opportunity of including a valuation premium on energy efficiency measures.
- The transformation of the market for new builds to maximise the potential of innovative design and construction techniques being developed here in Scotland not only to deliver more sustainable homes and neighbourhoods, but also to create export and other economic opportunities.

Resource Efficiency

The Resource Efficient Scotland⁵¹ programme provides support to businesses, third sector and public sector organisations to reduce overheads through improved energy, material resource and water efficiency. It has simplified the energy and resource efficiency advice and support landscape and is helping organisations across Scotland to realise potential annual savings in the region of £25 million through the implementation of resource efficiency measures. It was operational from April 2013.

⁵¹ <http://www.resourceefficientscotland.com/>

Box 9: Crichton Carbon Centre, Sustainable Process Improvement Programme

The Sustainable Process Improvement (SPI) Programme is a three-year project, running from 2012-2015, which will build capacity for sustainable business practice in SMEs operating in lowlands and uplands Scotland. The programme is worth £675,000, with ERDF contributions being match-funded from a range of public, private and third sector sponsors, including Bank of Scotland, Scotland's 2020 Climate Group, Zero Waste Scotland, Dumfries & Galloway Council, North Ayrshire Council and West Dunbartonshire Council.

The Programme involves a mix of general awareness raising among SMEs and direct engagement with companies to encourage them to reduce emissions from all sources. Direct company engagement is taking place in three Local Authorities: Dumfries & Galloway, North Ayrshire and West Dunbartonshire. By the time it completes in May 2015 it will have directly assisted 90 companies with emission reductions.

To date, the programme is also reaching over 8,500 companies regularly through its awareness-raising activities. It is also engaged directly with 63 SMEs in the three participating Local Authorities. Collectively, these companies are responsible for nearly 28 ktCO₂e from all sources, which is costing them over £7 million per annum. Resource Efficiency Action Plans have been developed with each of these companies, which will deliver a 14 per cent (3.9 ktCO₂e) reduction in their emissions, delivering savings equivalent to around 8 per cent (£284,000) on their total annual costs.

Further information can be found at <http://carboncentre.org/>

LEARNING AND SKILLS

Scotland's people are our greatest economic asset, and our *GES* acknowledges that a skilled, educated and creative workforce is essential to creating a more competitive and resilient economy.

The Scottish Government shares the European Commission's ambition of improving education levels, and believes that equipping people with the right skills for the jobs of today and tomorrow is vital for ensuring a competitive and dynamic economy.

Building equity and success into the foundations of Scotland's education system will ensure that the full potential of Scotland's talent is realised, sharing the benefits of a skilled, flexible, and well-educated population across Scotland's communities.

Europe 2020 headline targets:

Improving education levels, in particular by:

- Aiming to reduce the problem of early school leavers by reducing the rate of early school leavers to 10 per cent from the current 15 per cent; and
- Increasing the share of the population aged 30-34 having completed tertiary or equivalent education to at least 40 per cent by 2020.

Current Scottish Performance

Current Scottish performance against the headline EU targets is as follows:

- The rate of early school leavers in Scotland was 12.6 per cent in 2012⁵²; and
- The share of the population aged 30-34 having completed tertiary education in Scotland was 52.9 per cent in 2012⁵³.

Education is a fully devolved policy area for the Scottish Government, with performance captured through the *NPF*⁵⁴. The relevant National Indicators to education are:

- Increase the proportion of young people in learning, training or work⁵⁵ – in 2012-13, 89 per cent of school leavers were in positive destinations, compared with 87 per cent in the previous year and 84 per cent in 2008-09.
- Increase the proportion of graduates in positive destinations⁵⁶ – 64.4 per cent of students graduating in 2011-12 were in positive destinations six months after graduating, compared to 63.5 per cent for those students graduating in 2010-11.
- Improve the skill profile of the population⁵⁷ – in 2013 12.6 per cent

of working age adults have low or no educational qualifications (SCQF Level 4 qualifications or below), compared to 13.0 per cent of working age adults in 2012.

Equipping Our Young People with the Knowledge and Skills to Flourish

The *GES* recognises the importance of education and life-long learning through its strategic priority on Learning, Skills and Well-being. Education provides the means to a thriving, dynamic economy, as well as paving the way for entrepreneurship and innovation.

The key initiatives being undertaken to support education and lifelong learning in Scotland are outlined below.

Curriculum for Excellence

Curriculum for Excellence (CfE) is the 3-18 curriculum in Scotland. It was launched in June 2008, with the new curriculum introduced in all publicly-funded secondary schools from August 2010. The aim is to improve young people's achievements, attainment and life chances; through enabling all young people to become successful learners, confident individuals, responsible citizens and effective contributors.

⁵² Data for 18-24 year olds. Source – Eurostat – LFS (average of the four quarterly LFS datasets).

⁵³ Source – Eurostat – LFS (average of the four quarterly LFS datasets).

⁵⁴ See Chapter 2 for further information.

⁵⁵ <http://www.scotland.gov.uk/About/Performance/scotPerforms/indicator/youngpeople>

⁵⁶ <http://www.scotland.gov.uk/About/Performance/scotPerforms/indicator/graduates>

⁵⁷ <http://www.scotland.gov.uk/About/Performance/scotPerforms/indicator/skill>

The Scottish Credit and Qualifications Framework (SCQF) uses 12 SCQF Levels to provide an indication of the complexity of qualifications and learning programmes. SCQF Level 1 is the least demanding and SCQF Level 12 is the most demanding. The use of SCQF Level 4 or below to define those with low or no skills is in line with the internationally accepted definition used by OECD.

New qualifications at National 1 to National 5, developed by the Scottish Qualifications Authority (SQA) to support CfE, have been introduced from academic year 2013-14. New Higher and Advanced Higher qualifications become available in academic years 2014-15 and 2015-16 respectively.

Qualifications under CfE have a greater emphasis on skills alongside knowledge and understanding of key concepts, and the assessment of these will generally include at least an element of coursework to give a fuller picture of what a young person has achieved matched with real-life learning.

Maintaining the Education Maintenance Allowance

The Scottish Government has retained the Education Maintenance Allowance (EMA) in Scotland, in contrast to the rest of the UK, to provide financial support to young people from the lowest income families to enable them to continue in education and learning beyond school leaving age. The income threshold for families with more than one dependent child is £22,403 and for families with one dependent child is £20,351.

The total spend on EMAs increased from £27.6 million in 2011-12 to £27.8 million in 2012-13, supporting 35,515 young people. Over a third (34 per cent) of all school pupils in Scotland received an EMA payment, with 25.6 per cent of all EMA recipients living in Scotland's most deprived areas.

Maintaining Free Access to Higher Education

The Scottish Government believes in the access to higher education based on ability to learn and not the ability to pay. We have invested record levels of funding in higher education. We have increased funding to Scottish universities by 15 per cent (up £135 million) over the Spending Review 2011 period⁵⁸. The additional investment maintains our world-leading position in university research and enables the sector to undertake a step change in its engagement with Scottish business. Most importantly, access to higher education for eligible students remains free, differing from the approach taken by the UK Government across administrations.

Student Support

The Scottish Government is also committed to providing student support. The new funding package, which was introduced in 2013, includes: an annual minimum income of £7,250, through a combination of bursaries and loans, for students with a family income of less than £17,000; a student loan of £4,500 a year which all students are eligible for. This will rise to £7,500 and £4,750 in 2014-15. Part-time students with a personal income of less than £25,000 are eligible to receive tuition fees funding. In Autumn 2013 the Scottish Government announced that, in addition to an existing loan of up to £3,400 toward the cost of their tuition fees, from 2015-16 postgraduates on eligible courses will be able to apply for a loan of up to £4,500 a year to help with living costs.

⁵⁸ Cash terms planned budget 2011-12 to cash terms planned budget 2014-15.

Post-16 Education (Scotland) Act

Reforming post-16 Education to allow more people the benefits of remaining in positive destinations remains a key commitment for the Scottish Government. The Post-16 Education (Scotland) Act, which received Royal Assent on 7 August 2013, provides the legislative platform to do this. It is delivering improvements to governance and accountability across colleges and universities while supporting moves to widen access to higher education and helping to identify learners at risk of dropping out of education or training. It puts in place a framework to support college reforms, helping to better align provision with the needs of learners and business.

Modern Apprenticeships

As set out in Chapter 2, the Scottish Government has a strong commitment to provide 25,000 new Modern Apprenticeship opportunities in each year of the Parliament, and to ensure that these include higher-level technical and professional apprenticeships in response to employer demand.

Over 25,500 individuals started a modern apprenticeship in 2012-13 and with over three-quarters (77 per cent) completing their entrepreneurship. Skills Development Scotland (SDS) research⁵⁹ shows that 92 per cent of those who complete apprenticeships are in work six months later – and most (nearly 80 per cent) are in full-time employment with 96 per cent of employers reporting the

Modern Apprentice completers were better able to do their jobs.

In addition to high levels of support for new apprentices we have also maintained the Adopt an Apprentice initiative to give apprentices affected by redundancy the best chance of completing their apprenticeship. Through this initiative we have been able to support more than 1,500 apprentices back into work.

Scotland's Schools for the Future Programme

The Scottish Government is continuing to invest in the learning environment, ensuring that school buildings are modern learning facilities that meet the needs of education, benefiting pupils, teachers and the local economy. By March 2018 the Scottish Government's £1.25 billion Schools for the Future Programme⁶⁰ will see the construction of 67 new high quality schools built for over 46,000 pupils. In partnership with Local Authorities, the schools will be built in every part of Scotland to ensure that all communities share the benefits of education.

Update on Scottish Survey of Literacy and Numeracy

The Scottish Survey of Literacy and Numeracy (SSLN) is a sample survey which monitors national performance in literacy and numeracy in alternate years and over time in children at P4, P7 and S2. The survey is developed by

⁵⁹ https://www.skillsdevelopmentscotland.co.uk/media/538953/ma_outcomes_report_-_29jan13_-_final__1_.pdf

⁶⁰ <http://www.scotland.gov.uk/Topics/Education/Schools/Buildings>

a partnership of Scottish Government, the Scottish Qualifications Agency, Education Scotland and the Association of Directors of Education Scotland.

The first numeracy survey took place in 2011 with the results showing that 76 per cent of P4 and 72 per cent of P7 pupils were performing very well or well at the expected levels; 42 per cent of S2 pupils were performing very well or well at the level.

The first literacy survey took place in 2012, with 83 per cent of P4, 90 per cent of P7 and 84 per cent of S2 pupils were performing very well or well at the expected levels.

Schools participated in the second numeracy survey in May 2013 and the findings will be published in Spring 2014.

Social Enterprise in Schools

Creating entrepreneurial spirit in schools is fundamental to ensuring more entrepreneurs are engaged in the future. As set out in Chapter 2, *'Scotland CAN DO'* provides the new framework for entrepreneurship and innovation in Scotland. As part of this, there is a focus on school education, with Education Scotland leading on supporting schools to develop young entrepreneurs. The Social Enterprise in Schools Award Scheme was created in 2008 to promote awareness in primary, secondary and special schools of social enterprise as a way of doing better, more responsible business. The aims of the scheme are for young people to:

- Develop our understanding of the social enterprise business model; and
- Get hands-on experience of running their own social enterprise.

Social enterprise and entrepreneurship supports the aims of Curriculum for Excellence by providing a practical base from which pupils can learn about different business models and the wider world of work, delivering opportunities to encourage participants to become successful learners, confident individuals, responsible citizens, and effective contributors.

Since 2008 the Social Enterprise Academy (SEA) has worked with hundreds of schools helping them to set up sustainable social enterprises. Around 24,000 young people have been introduced to social enterprise and 118 schools have gained awards. School profits range from a few pounds to turnovers in excess of £50,000 per annum in two schools operating since 2008.

In light of this, the Scottish Qualifications Authority have confirmed that from 2014 (or possibly 2015) the new Level 4 and 5 qualifications in Business Studies (currently Standard Grade and Higher) will include Social Enterprise as a business model, giving pupils the opportunity to set up and research a social enterprise.

Box 10: European Funding: The Prince's Trust

The Prince's Trust undertakes a range of activities through its Strategic Skills Pipeline to support disadvantaged young people to build their confidence, increase their motivation and develop tools to improve their lives. Annually, investment from European Structural Funds helps the Trust to work with over 8,000 young people on a range of core personal development and employability programmes. Last year, 76 per cent of participants across the whole range of programmes moved into a positive destination, with almost 90 per cent developing core life skills such as confidence, motivation and self-awareness.

Activities undertaken by the Prince's Trust in Scotland include:

- **xl** – a personal development programme aimed at young people at risk of underachievement or exclusion from school, designed to re-engage with mainstream education and support the development of vocational and employability skills in the classroom;
- **Get Into** – a 5/6 week, demand-led vocational training programme delivered in partnership with employers; and
- **Enterprise Programme** – support for young people interested in self-employment to explore and test their ideas as well as access to seed corn financial assistance and wrap around business mentor support.

EQUITY

At the heart of our *GES* is a focus on ensuring the delivery of shared and sustainable growth that provides the most disadvantaged areas and people in society with the opportunity to prosper.

In line with the *GES*, and as highlighted in Chapter 1, promoting equality and tackling inequality and improving the life chances of individuals and communities forms a key focus of the Scottish Government's current programme.

This chapter sets out the actions being undertaken throughout Scotland to deliver inclusive growth, tackle child poverty and income inequality and maximise the potential of all areas. These policies and actions strongly support the Europe 2020 flagship initiative, 'European platform against poverty and social exclusion'.

Europe 2020 headline target:

"The number of Europeans living below the national poverty line should be reduced by 25 per cent, lifting over 20 million people out of poverty."

Current Scottish Performance

Progress in Scotland in this area is once again measured through the Scottish Government's *NPF*, which includes measures relevant to poverty and inclusion.

The Solidarity target is: “*To increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017.*”⁶¹ The total income received by Scottish households has increased every year from 1999 to 2011; whilst the proportion of income received by those in the bottom three deciles has remained at around 13 per cent and 14 per cent. The latest data shows that between 2010-11 and 2011-12 the total income received by Scottish households increased from £79.8 billion to £82.3 billion (in 2011 prices), and that the proportion of income received by those at the bottom of the income distribution remained broadly unchanged.

The *NPF* includes the *Reduce the proportion of individuals living in poverty*⁶² National Indicator. This is measured in terms of the percentage of people living in relative poverty (below 60 per cent of UK median income before housing costs). Performance in 2011-12 shows that 13.8 per cent of the Scottish population were in relative poverty (before housing costs) – this is the lowest level seen in the last 10 years.

Relative poverty (before housing costs) in Scotland has fallen from around 20 per cent since 1998-99.

The *NPF* also includes the *Reduce children's deprivation* National Indicator⁶³. This is measured in terms of percentage of children in combined material deprivation (based on a suite of questions in the Family Resources Survey) and low income (below 70 per cent of UK median income). Performance in 2011-12 shows that 8.2 per cent of Scottish children were covered by this measure – compared to 11.9 per cent in 2010-11.

Delivering Inclusive Growth

The Europe 2020 vision of inclusive growth is for a high-employment economy delivering economic, social and territorial cohesion. The strategy identifies that this will require making full use of labour potential; spreading the benefits of economic growth to all areas; ensuring access and opportunities for all throughout the lifecycle; and promoting gender equality.

Ensuring that Scotland's success is built on the foundations of equality remains a key goal for the Scottish Government. Tackling inequalities, protecting households from current economic pressures, and investing in early years are just a few of the ways that the Scottish Government is acting

⁶¹ <http://www.scotland.gov.uk/About/Performance/scotPerforms/purpose/solidarity>

⁶² <http://www.scotland.gov.uk/About/Performance/scotPerforms/indicator/poverty>

⁶³ <http://www.scotland.gov.uk/About/Performance/scotPerforms/indicator/childdeprivation>

to deliver the Purpose – of creating an environment with opportunities for all to flourish.

Implementing the Shift Towards Prevention

The Scottish Government's approach, informed by the Christie Commission⁶⁴ in 2011, seeks to reduce inequalities whilst ensuring our public services are financially sustainable. This approach rests on four evidence-based pillars; a decisive shift towards prevention; partnership between public services at a local level; greater investment in the people delivering services; and a sharp focus on performance.

As one pillar of our approach to public service reform, the Scottish Government is committed to overseeing a shift towards prevention across Scotland's public services to help reduce

inequalities, improve outcomes and also help to ensure long-term fiscal sustainability by reducing demand for public services over the longer term. To provide that catalyst towards preventative spend at a local level the Scottish Government has invested over £500 million in three Change Funds⁶⁵ to support public services over the Spending Review period.

To mainstream prevention and make it the defining feature of how public services work in Scotland the latest generation of Single Outcome Agreements (SOAs) include a strong commitment by Community Planning Partnerships (CPPs) to commit to increase resource and embed prevention across mainstream services. Further information on CPPs and SOAs is provided in Box 11.

⁶⁴ <http://www.scotland.gov.uk/About/Review/publicservicescommission>

⁶⁵ The Older People's Change Fund, the Early Years Change Fund and the Reducing Reoffending Change Fund.

Box 11: Community Planning Partnerships

Community Planning Partnerships (CPPs) bring all relevant public agencies together (including local government, NHS, police and fire services) with communities and the third and private sectors to better understand local needs and opportunities, agree locally-shared priorities and develop and deliver a shared plan to improve local services which make a real difference to people's lives.

There are 32 CPPs in Scotland, one for each Local Authority area, with the structure of these varying considerably, depending on the size and geography of the council area, socio-demographic factors, the local economy and local political priorities.

Single Outcome Agreements (SOAs) which are agreed between CPPs and the Scottish Government set out local outcomes which community planning partners agree reflect local priorities for their area. Following a review of community planning held in 2012, Ministers and Council Leaders signed off new SOAs in Summer 2013.

The new SOAs provide a clear 'plan for place' through which CPPs mobilise local assets and resources to improve outcomes for individuals and groups in the local community. The new SOAs have a particular focus in prevention and reducing inequalities, especially around six key policy priorities (economic recovery and growth; employment; early years; safer and stronger communities and reducing offending; health inequalities and physical activity; and outcomes for older people) where the aim is to achieve transformational, not incremental, performance improvement.

The Scottish Government and the National Community Planning Group are leading efforts to strengthen community planning. This includes work on implementing the new Single Outcome Agreements and the proposed new statutory duties on Community Planning Partnerships in the forthcoming Community Empowerment (Scotland) Bill.

Early Years

Improving the early years' experience in Scotland is key to address some of the most entrenched problems in terms of poverty, poor health, poor attainment and antisocial behaviour. The Early Years Collaborative (EYC) was launched in October 2012 and supports the delivery of evidence-based approaches which will make a real difference for all of Scotland's children and families.

The objective of the EYC is to accelerate the conversion of the principles set out in the Getting it right for every child programme and the Early Years Framework into practical action. This must:

- Deliver tangible improvement in outcomes and reduce inequalities for Scotland's vulnerable children;
- Put Scotland squarely on course to shifting the balance of public services towards early intervention and prevention by 2016; and
- Sustain this change to 2018 and beyond.

All Community Planning Partnerships from across Scotland have been engaged in the Early Years Collaborative. There are 40 pioneer sites leading improvement work on key changes such as early support for pregnancy and beyond, 27-30 month Child Health review and developing parents' skills.

Early Learning and Childcare

Europe 2020 highlights that access to childcare facilities is an important

element in enabling the delivery of inclusive growth. The Scottish Government shares this view and has an ambition to transform childcare in Scotland. The beneficial effects to children of high quality early learning and childcare is evident throughout primary school, and international evidence suggests that the benefits can persist into secondary school. As well as being of direct benefit to children, improving access to high quality childcare would reduce a significant barrier to participation in the labour market faced by parents, particularly women.

Through the Children and Young People (Scotland) Act, we have committed £280 million to expand early learning and childcare to 600 hours per annum for 3 and 4 year olds; and, for around 15 per cent of the most vulnerable 2 year olds from August 2014 (this includes those who are looked after; under a kinship care order; have a parent appointed guardian; or, are from workless or job seeking households). These measures will be expanded to 27 per cent of 2 year olds based on free school meal eligibility from August 2015. As well as increasing the number of funded hours, the Act will also increase the level of flexibility of the entitlement, to better meet the needs of young children and parents seeking to balance their childcare responsibilities with work, study or training commitments.

Further information on the provisions of the Children and Young People (Scotland) Act is provided in Box 12.

Box 12: Children and Young People (Scotland) Act

The Children and Young People (Scotland) Bill 2014 was passed by Parliament on 19 February 2014. It is now an Act of the Scottish Parliament, having received Royal Assent on 27 March 2014.

The Act is central to the Scottish Government's aim of making Scotland the best place in the world to grow up. It will do this by putting children and young people at the heart of planning and delivery of services and ensuring their rights are respected across the public sector.

The Act includes provisions that will:

- Provide increased and more flexible early learning and childcare (further details provided above);
- Provide Free School Lunches to all children in primary 1-3 by January 2015;
- Ensure better performance planning for looked after children by giving all 16 year olds in care the right to stay in care until the age of 21 from 2015; extend the support available to young people leaving care for longer (up to the age of 26), and support the parenting role of kinship carers;
- Enshrine elements of the Getting it Right for Every Child (GIRFEC) approach in law, ensuring there is a single planning approach for children who need additional support from services, providing a single point of contact for every child and providing a holistic understanding of wellbeing;
- Create new duties in relation to the United Nations Conference on the Rights of the Child (UNCRC) and strengthen the Children's Commissioner role; and
- Strengthen existing legislation that affects children, including a number of amendments to the process for school closure proposals under the Schools (Consultation) (Scotland) Act 2010.

Getting it Right for Every Child

Getting it Right for Every Child (GIRFEC)⁶⁶ is a national programme that aims to improve outcomes for all children and young people in Scotland. GIRFEC puts the child at the heart of the decision making process and is rooted in supporting and improving the wellbeing of the child, as measured by the SHANARRI indicators (Safe, Healthy, Active, Nurtured, Achieving, Respected, Responsible, Included). GIRFEC reinforces what the United Nations Conference on the Rights of the Child (UNCRC) says and is our way to make important changes in how we – and others – support children and young people. As noted in Box 12, key aspects of GIRFEC have been embedded in legislation through the Children and Young People (Scotland) Act 2014.

A key element of GIRFEC is a Named Person for every child from birth until they are 18, or leave school whichever is later. From birth to primary school age this will usually be the midwife and then the health visitor. When the child starts primary school their Named Person will usually be the Head, Deputy or guidance teacher. The Named Person is the single point of contact for families to go to if they need advice or support, and is also the first point of contact for anyone with concerns about the child's wellbeing. GIRFEC facilitates and demands collaborative working between the different agencies which

are required to engage with a child to deliver the best possible outcomes for the child and delivers a single planning process centred around the child.

GIRFEC underpins the Scottish Government's policy objectives for children and young people. For those services which impact on children, GIRFEC promotes how they can work together to ensure that personalised, outcome-focused activity keeps the child's wellbeing at the centre of decision making and planning. It also ensures that children and families are actively engaged in the process. There is a clear focus on improving outcomes and early intervention⁶⁷.

Tackling Child Poverty and Income Inequality

Our approach to tackling poverty is underpinned by our *GES Solidarity Target* to increase overall income and the proportion going to the poorest, by National Outcomes on tackling inequalities and improving children's life chances and by National Indicators to reduce both numbers in poverty and children's deprivation.

The revised *Child Poverty Strategy for Scotland*⁶⁸, published on 10 March 2014, reconfirms our strategic approach. Based on early intervention and prevention, the document outlines three high-level outcomes:

⁶⁶ <http://www.scotland.gov.uk/Topics/People/Young-People/gettingitright>

⁶⁷ Early evaluation evidence from the pathfinder project in the Highlands found evidence of progress in changing professional practice and improving outcomes for children.
<http://www.scotland.gov.uk/Resource/Doc/292720/0090353.pdf>

⁶⁸ <http://www.scotland.gov.uk/Publications/2014/03/5304>

- Maximising household resources;
- Improving children's wellbeing and life chances; and
- Children from low incomes live in well-designed sustainable places.

The document sets out an outcomes framework which links key activities, through intermediate outcomes, to the high-level outcomes. It is being further developed for use as a measurement framework, following publication of baseline data – expected to form part of the 2014 annual report on the strategy.

Child Poverty Strategy Annual Report

The second *Child Poverty Strategy Annual Report* was laid in Scottish Parliament in September 2013 and highlighted a range of actions the Scottish Government and partners had taken over the previous year to tackle child poverty in Scotland. The report sets out what the Scottish Government has been doing in key areas in relation to the measures in the strategy which all contribute towards meeting the income-based targets in the Child Poverty Act, and to the three key aims around pockets, prospects and places.⁶⁹

Ministerial Advisory Group on Child Poverty

The remit of the Ministerial Advisory Group on Child Poverty is to provide Scottish Ministers with advice on priorities and actions relating to Child

Poverty. The group act as the advisory body for the *Child Poverty Strategy*, a revised version of which was published in March 2014 (details above). It also provides a forum for the discussion of evidence, dissemination of good practice and the development of new thinking to support the delivery of the strategy.

Maximising the Potential of all Areas

As set out in the *GES* the Scottish Government is focused on ensuring that all of Scotland can maximise its potential and that the disparities in economic performance across Scotland are reduced.

Regeneration Strategy

The Scottish Government's *Regeneration Strategy*⁷⁰, responds to the challenges faced by our most disadvantaged communities to help create a Scotland where all places are sustainable and where people want to live, work and invest. Delivery of regeneration requires a co-ordinated approach across the public, private and third sector, alongside community-led action.

The Scottish Government's *Regeneration Strategy* highlights the importance of taking a holistic approach by tackling the social, physical and economic factors associated with regeneration to help build resilient communities. The Scottish Government is supporting regeneration through a range of interventions and support including the People and

⁶⁹ <http://www.scotland.gov.uk/Publications/2013/09/2212>

⁷⁰ <http://www.scotland.gov.uk/Publications/2011/12/09110320/0>

Communities Fund specifically to promote and support community-led regeneration which supports a number and variety of community-led projects. The Capital Investment Fund, worth £150 million over three years, includes the £50 million Scottish Partnership for Regeneration in Urban Centres (SPRUCE) fund, which has now agreed funding of more than £30 million for four projects, supporting new business space for small to medium-sized enterprises; two BREEAM 'A' office developments and a remediation project which will enable a further development incorporating office, retail and hotel elements.

Consultation on a draft Community Empowerment (Scotland) Bill

The proposed Community Empowerment (Scotland) Bill forms part of the Scottish Government's response to the recommendations of the Christie Commission into the future of public services in Scotland. The proposed Bill aims to strengthen opportunities for communities to take action to achieve their own goals and aspirations and to have their voices heard in the decisions that affect their area. The consultation on the Bill closed at the end of January 2014 and 424 responses were received. A full analysis of the responses is underway, with a planned introduction of the Bill to Parliament in June 2014.

Homelessness

In Scotland, since 31 December 2012 all unintentionally homeless households have been entitled to settled accommodation. This is one of the most progressive legislative approaches in Europe. Local Authorities and their partners now have a focus to prevent homelessness happening in the first place wherever possible. This is being done through the adoption of a housing options approach which means that the Local Authority works with the household to prevent homelessness or achieve the most sustainable outcome for them. This approach to prevention has led to a 10 per cent reduction in households being assessed as homeless between 2011-12 and 2012-13.

NEXT STEPS

The *GES* provides a bold framework to deliver the Scottish Government's central Purpose:

“To focus the Government and public services on creating a more successful country, with opportunities for all to flourish, through increasing sustainable economic growth.”

All parts of the public sector in Scotland have an important contribution to make to the delivery of the purpose and the vision of Europe 2020. This will continue to require alignment and cooperation across organisations, in addition to enhancing our links with the private and third sectors.

As demonstrated through our National Reform Programmes, the Scottish Government is strongly supportive of Europe 2020. We will continue to highlight the distinct approach being pursued in Scotland to achieve these targets, outlining how we are continuing to build on our progress towards delivering the ambitions set out in the Europe 2020 strategy.

Below we have provided a general overview of the next steps for the Scottish NRP.

In the European Commission

The Scottish NRP 2014 has been submitted to the European Commission and will be considered alongside the UK NRP. The Scottish NRP has been designed to complement the UK NRP, and highlight the distinct approach being pursued in Scotland to support delivery of the Europe 2020 ambitions. Scottish Government officials will continue to work with Commission officials to provide further detail where required.

In Scotland

Regular input from stakeholders continues to be a crucial element of the policy development process in the Scottish Government, and the Scottish NRP was developed with the valuable input of stakeholders, as demonstrated by our event in Edinburgh on 28 February 2014. The Scottish Government will continue to encourage a wide range of contributions to the National Reform Programme process.

The contributions of stakeholders will be fully considered in our approach to achieving the ambitions set out in the Europe 2020 strategy, and we will continue to engage with them throughout this annual cycle.

In the UK

The Scottish Government will continue to work with the UK Government in addressing the recommendations made on the basis of the National Reform Programmes.

The Scottish Government will continue to engage early and constructively with the UK Government to influence EU policies and programmes which can support our ambition of making Scotland a more successful country with opportunities for all to flourish through increasing sustainable economic growth.

European Funding

With domestic funding under continued pressure, the role of European funding in unlocking developments and stimulating growth becomes increasingly important. Scotland has benefited hugely from these funds in the past, with the funds helping to build major infrastructure in the Highlands and Islands, delivering support for business finance and research and development, and assisting individuals into better training, education and jobs.

To support the achievement of Europe 2020, these funds now need to be refocused on both supporting immediate issues which hold back development such as youth unemployment; but also on creating the long-term conditions for growth that is smarter, more sustainable and more inclusive.

Scotland faces particular challenges around the competitiveness and innovation of its SME base; around addressing the skills mix, both lowering the proportion of the population with low skills and developing mid and higher level skills for the industries of the future; and from decoupling trends in emission levels from trends in economic growth, and improving resource efficiency.

Continuing to use European Funds as we have in the past, on small and separate grant-funded projects, is unlikely to deliver the genuine step change needed to address challenges of that scale. Using Structural, Rural Development and Maritime and Fisheries Funds, Scotland will instead set up three themed funds around:

- Competitiveness, Innovation and Jobs;
- Environment, Resource Efficiency and Low Carbon; and
- Social Inclusion and Local Development.

Each of the three Scottish Funds will have substantial resources, in the region of €200-250 million each for the programme period 2014-20. The strategy and priorities of each fund, and the outcomes they will deliver, will be developed by a Strategic Delivery Partnership of Scottish Government departments and the main national and local agencies with a natural responsibility in these areas.

The Partnerships will be asked to identify a small number of major strategic and long-term projects or programmes which will be supported, and which the partners can match fund from their core resources. The process of agreeing that limited number of programmes will ensure the activities complement each other and remain focused on EU 2020 rather than individual regulatory requirements. It will also create a simpler and more streamlined route to accessing funding by end beneficiaries.

Operational delivery may be contracted or delegated to other agencies or bodies, or delivered by the Partners themselves. However, the overall legal and financial responsibility for the Funds dispersed is likely to rest with the lead partners for each programme or project, or in some instances, the Scottish Government. This arrangement will ensure that compliance responsibilities sit with agencies with the scale and experience to handle the audit requirements of European funding and will free up smaller organisations to focus on delivery of outcomes.

Such funding on its own cannot resolve the long-term structural challenges facing Scotland. However, such funds, supported by domestic match, and finessing the precise role for EU funding will ensure that such support is targeted to those investments with the biggest impact on both Scotland, and Europe 2020.

The European Structural Funds are in the final stages of developing all formal documentation which is essential for the new programme period, this includes the Operational Programmes and Partnership Agreement. These will be approved by the European Commission and published prior to the commencement of the 2014-2020 Programmes.

The UK Partnership Agreement is a formal agreement with the European Commission and outlines how all European Structural and Investment funds will work together to achieve the EU 2020 targets of smart, sustainable and inclusive growth. The Partnership

Agreement will outline how each fund aims to achieve these targets, the challenges they may face in doing so and how they will overcome these.

Scotland will have its own chapter of the UK Partnership Agreement, this will provide a more detailed explanation of the unique challenges facing Scotland and how we plan to overcome these. It will also outline the opportunities which are unique to Scotland and how we will develop these further.

The Scottish Chapter of the UK Partnership Agreement is available to view on the European Structural Funds website.

Conclusion

The Scottish Government supports the ambition and priorities of Europe 2020 to deliver smarter, more sustainable and more equitable growth over the period to 2020. This is demonstrated by the close alignment between Europe 2020 and our *GES*.

This NRP has set out the actions being undertaken in Scotland in support of the delivery of these Europe 2020 ambitions and the seven 'flagship initiatives'. These initiatives cover areas including innovation, the digital economy, employment, youth, industrial policy, poverty and resource efficiency. This NRP also sets out where the Scottish Government is taking action, within the powers available to it, against the European Commission's CSRs provided to the UK.

As highlighted throughout this report, actions from all across Scotland are contributing to the delivery of Europe 2020, with stakeholder involvement playing a crucial role. The Scottish Government will carry on working with stakeholders to ensure that Scotland continues to make a significant contribution to deliver the Europe 2020 ambition of smarter, more sustainable and more equitable growth.



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