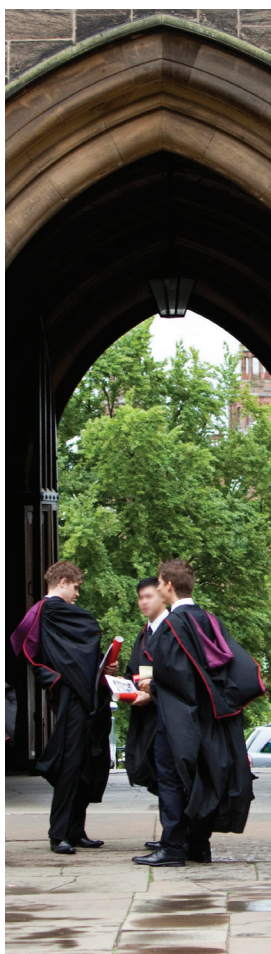


# **EUROPE 2020: SCOTTISH NATIONAL REFORM PROGRAMME**

**2015**





# **EUROPE 2020:** **SCOTTISH NATIONAL** **REFORM PROGRAMME**

**2015**

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## MINISTERIAL FOREWORD

Since its introduction in 2010, the Scottish Government has strongly supported the vision set out in Europe 2020 – the European Union’s strategy for delivering smart, sustainable and inclusive growth across Europe.

The ambitions of Europe 2020 are closely aligned with the central purpose of this Government, which is 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.

Earlier this year we published *Scotland’s Economic Strategy*, which sets out how the Scottish Government and its partners will work together to boost Scotland’s competitiveness and tackle inequalities, to deliver sustainable economic growth that is shared by all. The ambitions and priorities of Europe 2020 and *Scotland’s Economic Strategy* are closely aligned.

Actions across all of Scotland are contributing to the delivery of the Europe 2020 ambitions, and to the delivery of our Purpose. I welcome this Scottish National Reform Programme – the fifth that we have presented – as an opportunity to showcase how the actions being taken in Scotland are making a distinct contribution to the ambitions of Europe 2020.

During 2014 we saw a continued improvement in the Scottish economy, with economic activity and employment in Scotland reaching record levels.

I welcome these positive developments, which show that the actions we have taken to secure economic recovery are working. However, our goal is not simply to return to pre-recession levels of economic performance. As set out in *Scotland’s Economic Strategy*, we need to tackle the underlying challenges in our economy and labour market to ensure that the benefits of growth are felt by all.

### John Swinney MSP

Deputy First  
Minister & Cabinet  
Secretary for Finance,  
Constitution and  
Economy



Central to this is taking action to address the challenges facing our young people. Whilst youth unemployment has fallen significantly in recent months, and is now at its lowest level since 2009, it remains above its pre-recession level. In light of this, I welcome the European Commission's continuing focus on youth unemployment, as highlighted in its *Youth Employment Initiative* and the introduction of the *Youth Guarantee*.

We have taken effective action to reduce youth unemployment, and we will continue this as we implement *Developing the Young Workforce* – our new Youth Employment Strategy. The strategy outlines our approach to implementing the recommendations of the independent Commission for Developing Scotland's Young Workforce to ensure that young people have access to a broader range of learning options, improve and extend careers advice and work experience, and ensure that skills and training provision is shaped and supported by employers.

In line with the Commission's focus on inclusive growth, we are taking strong action to ensure that work is rewarded fairly and is accessible to all. We are reducing barriers to parents entering the labour market by expanding the number of funded hours of early learning and childcare, and in March this year we achieved our target of 150 Scottish-based employers paying the Living Wage to their employees – eight months ahead of schedule.

Scotland is making great strides towards rebalancing its economy. As a committed member of the Vanguard Initiative, Scotland is collaborating with other innovative EU regions to boost economic growth through entrepreneurial innovation and industrial renewal. Through our Innovation Centres, we are working with public and private sector partners to strengthen our innovation performance across Scotland's growth sectors. We are also working with partners across Scotland

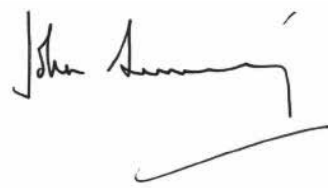
and overseas to ensure that our businesses have the support that they need to grow and compete internationally.

We support the priority that the Commission places on making the transition to a more competitive, low carbon economy, and a range of actions are being taken in Scotland to support this. For example, Scotland is collaborating with partners in the North Sea region to tackle challenges in renewable energy innovation as a member of the European North Sea Energy Alliance.

Scotland remains committed to Europe, and we will continue to engage productively with the EU to enhance Scotland's voice and promote meaningful reform for the benefit of the entire Union.

This commitment is set out in our recent communication, *Scotland's Action Plan for EU Engagement*. This Action Plan confirms our dedication to working collaboratively with our European partners to strengthen our relationships and create better outcomes for Scotland.

As highlighted throughout this report, the ambitions of the EU and the Scottish Government are closely aligned. With Scotland's existing devolved responsibilities, and the new powers which will be made available to us under the Smith Commission agreement, we will continue to contribute to the delivery of the vision that we share with the Commission for sustainable, smart and inclusive growth.

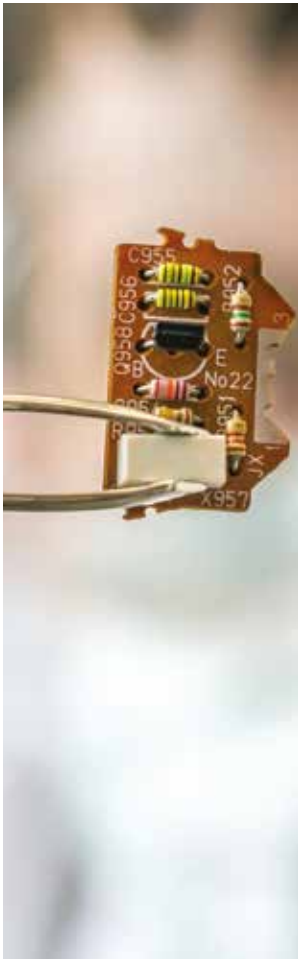


**John Swinney MSP**

Deputy First Minister & Cabinet Secretary for Finance, Constitution and Economy



INTRODUCTION



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

This report also sets out 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 in developments at the European level across a number of policy areas, in particular Energy and Climate Change, the Marine Environment, Research and Innovation, and Freedom, Security and Justice. Engaging with the European Parliament and European Commission provides 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 cooperation and exchanging best practice. For example, Scotland has played a key part in the European North Sea Energy Alliance, which aims to promote cooperation and innovation in integrating sustainable, renewable energy into existing systems. Further information on this project can be found in Chapter 4.

## 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; research and innovation; climate change and energy sustainability; education; and fighting poverty and social inclusion. This report sets out actions being pursued in Scotland to support delivery of these ambitions.

Europe 2020 also establishes seven 'flagship initiatives', which create 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 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 *Scotland's Economic Strategy*<sup>1</sup> (SES). Central to both Europe 2020 and the SES is a focus on securing sustainable and inclusive economic growth. As set out in Box 1, the Scottish Government supports the continual development of the Europe 2020 strategy.

<sup>1</sup> <http://www.gov.scot/Resource/0047/00472389.pdf>



EU Member States produce 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. These 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 2015.

However, in order to highlight 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 emphasise Scotland's positive engagement with the European Union. It also provides a valuable opportunity to highlight particular areas where Scottish actions are making an important contribution to delivering the priorities of Europe 2020. The Scottish Government's commitment to Europe 2020 is reinforced by our involvement in development of the strategy, as detailed in Box 1.

## **Box 1: Mid-term Review of Europe 2020 – Scottish Government engagement**

During 2014, the European Commission undertook a mid-term review of the Europe 2020 strategy to draw lessons from the first years of implementation, and to ensure it is an effective post-crisis growth strategy for the EU. As part of this, the Commission ran an EU-wide public consultation to gather views on lessons learned and elements to be taken account of in developing the strategy. In keeping with the Scottish Government's continued engagement with Europe 2020, the Scottish Government responded to the Commission's consultation to identify aspects of Europe 2020 that had a positive impact on Scotland, as well as those which we think the Commission could place greater emphasis on. The key recommendations within the Scottish Government response to the consultation<sup>2</sup> were:

### **Reinvigorate**

- The reinvigoration of the Europe 2020 strategy should be one of the foremost priorities of the renewed European Commission.
- The Europe 2020 strategy should retain the three mutually reinforcing priorities of smart growth, sustainable growth and inclusive growth with equal emphasis on each of these.
- The Europe 2020 strategy should continue to regard economic growth, not as an end in itself, but as a means of delivering a better, more prosperous and fairer society. The Europe 2020 strategy should ensure that there is the right balance of growth, which reduces inequalities, allows everyone to realise their potential, and reduces disparities across and within Member States.

### **Regionalise**

- The Europe 2020 strategy should enable local, regional and territorial governments to play a greater role in the European Semester. The Europe 2020 strategy should reflect an understanding of the division of powers and competence within a Member State so that targets and recommendations are focused at the right level of administration.

### **Reform**

- The Europe 2020 strategy should be accompanied by progressive regulatory reform to facilitate a supportive business environment.
- More must be done to align other policies and programmes of the European Commission with the Europe 2020 strategy. The Scottish Government recommends that each policy, instrument, legal act and financial instrument should be accompanied by a supporting statement identifying how the measure will help to achieve the objectives of the Europe 2020 strategy and any areas where it may counteract the objectives of the Europe 2020 strategy.

### **Resource**

- The Europe 2020 strategy must be augmented by stronger, deeper and extended integration of the single market, including the Digital Single Market, particularly in relation to services.
- The Europe 2020 strategy must be supported by the free movement of persons within the EU.

The Commission will take the results of the public consultation into account in further reflections of how the Europe 2020 strategy should be taken forward, with proposals for a review of the strategy expected by the end of 2015.

<sup>2</sup> <http://www.gov.scot/Resource/0046/00462785.pdf>

## The European Semester

The European Commission has established an annual cycle of economic policy coordination called the 'European Semester', which aims to focus the efforts of Member States on achieving the Europe 2020 targets. As part of this, the Commission undertakes a detailed analysis of EU Member States' plans of budgetary, macroeconomic 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 2015 AGS,<sup>3</sup> the European Commission recommends three main pillars for economic and social policy in 2015:

- A coordinated boost to investment;
- A renewed commitment to structural reforms; and
- Pursuing fiscal responsibility.

The Spring meeting of the European Council in March takes stock of the overall economic situation and progress towards the Europe 2020 targets and provides policy suggestions covering fiscal, macroeconomic and structural reforms.

Also in March, the Commission publishes a Country Report for each Member State, analysing their economic situation, their reform agendas and possible imbalances faced by the Member State.

In April, Member States submit their Stability or Convergence Programmes<sup>4</sup> 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 CSRs<sup>5</sup> in June 2014. In summary, these recommendations focus on:

- Reducing the budget deficit in a sustainable manner while pursuing a differentiated growth-friendly approach to fiscal tightening by prioritising capital expenditure;
- Continuing efforts to increase the supply of housing, alongside considering reforms to the taxation of land and property to alleviate distortions in the housing market;
- Improving skills that meet employer needs, ensuring employer engagement by placing emphasis on addressing skills mismatches through more advanced and higher level skills provision and furthering apprenticeship offers. In addition, reduce the number of young people with low basic skills;
- Continuing efforts to reduce child poverty in low-income households and improve the availability of affordable quality childcare;
- Continuing efforts to improve the availability of bank and non-bank financing to SMEs; and
- Facilitating an increase in network infrastructure investment – with a particular focus on increasing the predictability of the planning processes and the clear presentation of funding commitments.

Some of these recommendations relate to reserved policy areas under the current constitutional settlement and are therefore the responsibility of the UK Government.

<sup>3</sup> [http://ec.europa.eu/europe2020/making-it-happen/annual-growth-surveys/index\\_en.htm](http://ec.europa.eu/europe2020/making-it-happen/annual-growth-surveys/index_en.htm)

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

<sup>5</sup> [http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index\\_en.htm](http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm)

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 long-term sustainable economic growth in Scotland through a variety of avenues including funding infrastructure investment, improving business support and supporting skills development.

A considerable amount of European Funding in Scotland is delivered at the Local Authority level. In this regard, our Community Planning Partnerships (CPPs)<sup>6</sup> 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 2014-20 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. To maximise their impact, Structural Funds programmes in Scotland for 2014-20 will be structured around Strategic Interventions – programmes of scale, longevity and ambition that can achieve long-term change, but also

ensure long-term stability of funding in support of that identified required change. These interventions are designed to connect with each other – for example ensuring that business and innovation support creates local jobs whilst training individuals to be ready to take up those employment opportunities.

## Delivering the Ambitions

Stakeholder engagement plays a vital role in policy development in Scotland. It has therefore formed a central part of the development of the Scottish NRP 2015. In line with this approach, a successful stakeholder event was held in Edinburgh on 12 March 2015. The aim of this event was to consult a wide range of views to capture the activity being pursued across Scotland which supports the objectives of Europe 2020, in order to inform the development of the Scottish NRP 2015 and the Scottish contribution to the UK NRP 2015.

The whole 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. Our success depends on working together to deliver the shared vision of a stronger, sustainable and more competitive economy supporting a fairer society.

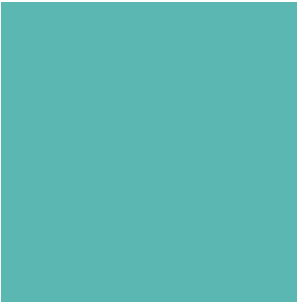
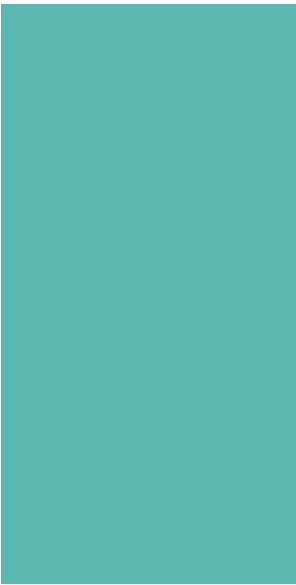
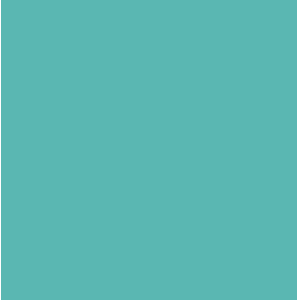
The remainder of this document focuses on:

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

Chapters are presented for the areas covered by each of the five headline targets set out in the strategy – covering Employment; Innovation and R&D; Climate Change; Education; and Social Inclusion and Poverty Reduction. Within these chapters, actions are highlighted which are contributing to each of the UK CSRs and the Commission's Flagship Initiatives.

<sup>6</sup> Further information on CPPs is provided in Chapter 6.

CHAPTER 1: DELIVERING SUSTAINABLE AND INCLUSIVE  
ECONOMIC GROWTH





## Scotland's economy continued to improve during 2014. Scottish GDP grew at its fastest annual rate since 2006, while economic activity and employment in Scotland reached record levels.

The global recovery continued at a moderate pace in 2014, with the pattern of this recovery remaining asymmetric. Among advanced economies the US and UK saw the strongest growth in 2014, whilst the Euro Area also grew for the first time since before the Euro crisis, albeit still well below pre-crisis rates. Demand in emerging markets is also muted as many grapple with structural problems and falling prices for key export commodities.

The Scottish economy grew by 2.7 per cent over 2014 as a whole, the fastest annual growth since 2006. Overall, the general outlook is for conditions in Scotland to strengthen as the year progresses, with growth in 2015 forecast to be around 2.5 per cent, which is slightly above the historical trend.

A tri-annual assessment of conditions in the Scottish economy is provided in the Scottish Government's Chief Economist's *State of the Economy*<sup>7</sup> publication.

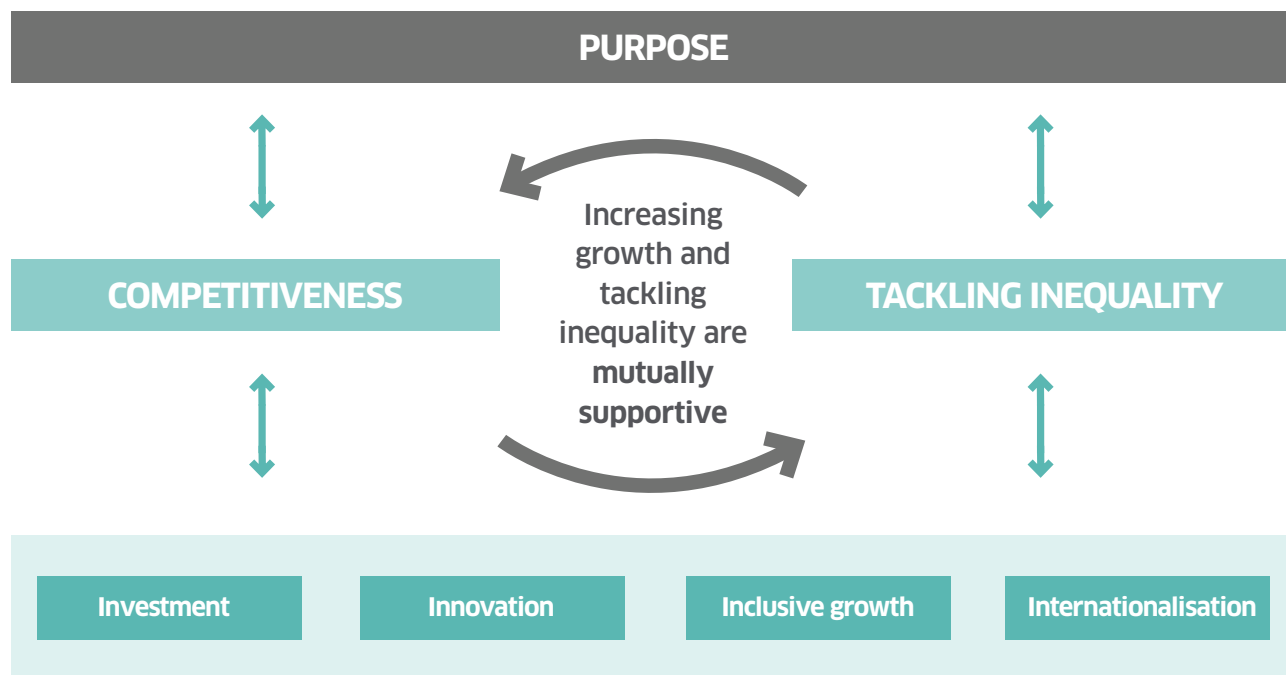
### SCOTLAND'S ECONOMIC STRATEGY

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. *Scotland's Economic Strategy* sets out an over-arching framework for how the Scottish Government will achieve this Purpose, and create a more productive, cohesive and fairer Scotland.

The strategy sets out how Scotland will go beyond pre-recession levels of economic performance, by tackling the underlying challenges in the economy and labour market, increasing the competitiveness and sustainability of the Scottish economy, and tackling inequality in a way that ensures the benefits of economic success are shared by all.

The approach set out in *Scotland's Economic Strategy* is focused on two interdependent ambitions for achieving our Purpose; **increasing competitiveness** and **tackling inequality**. Scotland's economic framework is set out in Figure 1.

<sup>7</sup> <http://www.gov.scot/Topics/Economy/state-economy>

**Figure 1: Scotland's Economic Framework**

These goals of tackling inequality and boosting competitiveness are underpinned by four priority areas which we will focus on to deliver sustainable economic growth:

- **Investing** in our people and our infrastructure in a sustainable way;
- Fostering a culture of **innovation** and research and development;
- Promoting **inclusive growth** and creating opportunity through a fair and inclusive jobs market and regional cohesion; and
- Promoting Scotland on the **international** stage to boost our trade and investment, influence and networks.

The four priority areas, and the policy areas which underpin them, are set out in Figure 2.

The Scottish Government's Council of Economic Advisers<sup>8</sup> provides advice to Ministers on how to improve Scotland's competitiveness and reduce inequality within Scotland. 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.

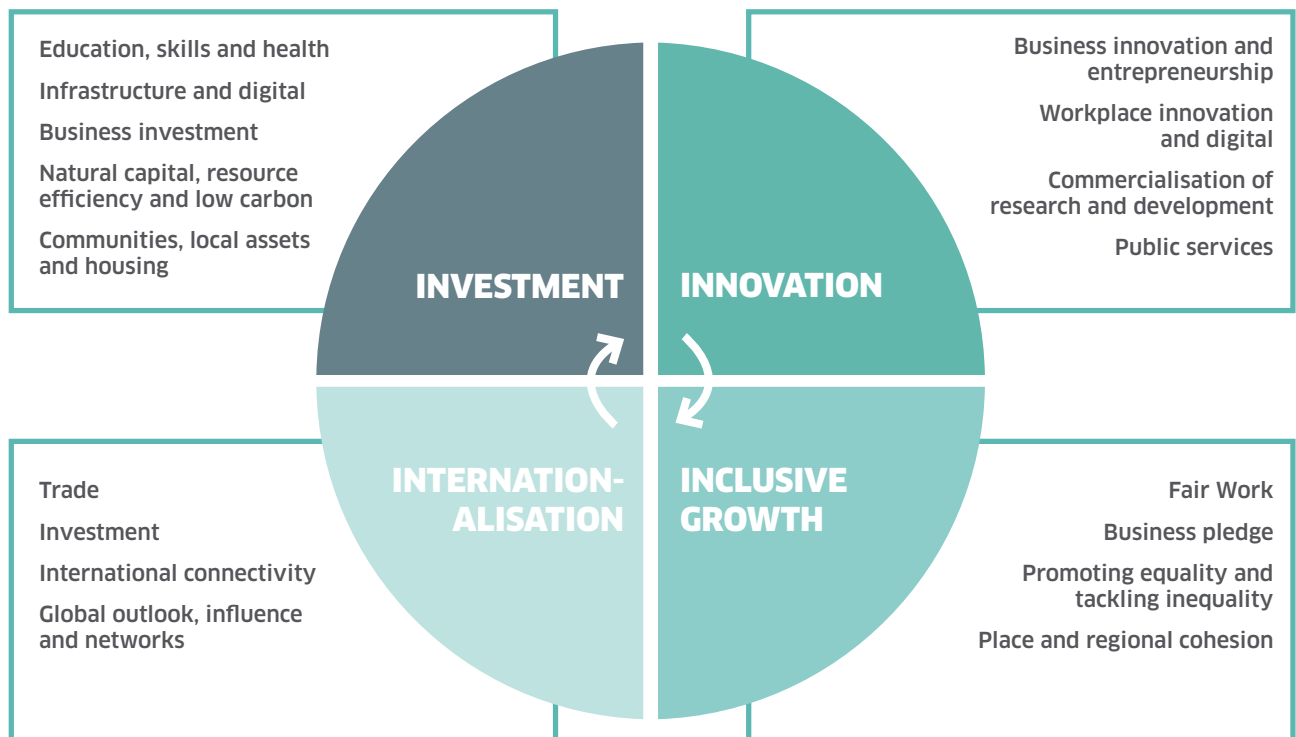
## NATIONAL PERFORMANCE FRAMEWORK

Scotland's National Performance Framework (NPF) sets out in the Purpose Targets and the National Outcomes, a clear, unified vision for Scotland. It underpins the delivery of the Scottish Government's priorities and monitors the delivery of the Purpose. The NPF incorporates a range of social, economic and environmental indicators and targets including 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 16 National Outcomes, seven Purpose Targets and 50 National Indicators. Performance is monitored and reported through Scotland Performs<sup>9</sup> – the Scottish Government's online reporting tool.

<sup>8</sup> <http://www.gov.scot/Topics/Economy/Council-Economic-Advisers>

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

**Figure 2: Four Priorities**

The NPF Purpose Targets and National Indicators are currently being refreshed to ensure that they provide the best measures for a successful Scotland and reflect what matters to the people of Scotland. The review of the indicators will be concluded by the end of 2015. The refreshed NPF will continue to provide a wide range of indicators to assess progress towards the Purpose. The new strategic approach set out in the *Scotland's Economic Strategy* will be reflected in the updated NPF.

## INCREASING SUSTAINABLE ECONOMIC GROWTH

*Scotland's Economic Strategy* provides a framework to support sustainable economic growth in Scotland with opportunities for all to flourish.

**Boosting competitiveness** is essential for improving Scotland's long-term economic performance. This involves raising the productivity of Scotland's workforce; improving Scotland's infrastructure; labour market participation; and businesses growth both at home and overseas.

As well as being an important goal in itself, **tackling inequality** is vital to creating the conditions to deliver economic growth that is sustainable over the long term and is shared by all.

*Scotland's Economic Strategy* recognises that the public sector, businesses, trade unions, the third sector and communities must work in partnership to achieve the goals of boosting competitiveness and tackling inequality.

This is reflected in the Scottish Government's current programme,<sup>10</sup> which focuses on:

- Creating more, better paid jobs in a strong sustainable economy;
- Building a fairer Scotland and tackling inequality; and
- Passing power to people and communities.

A range of actions are being taken forward against these priorities, many of which are outlined in this report. However, in

<sup>10</sup> <http://www.gov.scot/Resource/0046/00464455.pdf>

the remainder of this chapter we focus on actions being pursued in Scotland to support investment-led economic growth, 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

*Scotland's Economic Strategy* identifies investment as a key priority for delivering sustainable economic growth. Investment in infrastructure drives long-term improvements in competitiveness and creates the opportunities for everyone in society to benefit from these improvements.

As set out in the budget plans for 2015-16, the Scottish Government will support infrastructure investment of almost £4.5 billion in 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.

In order to continue to prioritise capital investment the Scottish Government is pursuing a range of innovative financing approaches. In 2014, a further £1 billion of support for infrastructure investment was announced by extending the current NPD programme through to 2019-20. This additional investment will build on the success of the current NPD programme, which is valued at £3.5 billion.

The Scottish Government has noted that as part of the CSRs to the UK, the European Commission has recommended that the predictability of the infrastructure planning process is improved, funding commitments are presented clearly, and that consistent and timely information on the implementation of the infrastructure plan is provided. Box 2 sets out the key actions that the Scottish Government is pursuing to support long-term infrastructure investment, and the progress which has been made so far in implementing our Infrastructure Investment Plan (IIP) – our long-term plan for sustainable, efficient investment.

## ↓ Box 2: Supporting Infrastructure Investment

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

Our Infrastructure Investment Plan (IIP)<sup>11</sup> 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 2015,<sup>12</sup> highlights that significant progress has been made since the publication of the Plan. For example, during 2014, projects totalling almost £750 million completed construction and are now operational.

In addition, projects totalling £75 million completed construction in 2014 and have or will become operational in early 2015. These are the Ullapool – Stornoway Ferry, Garrowhill Primary School in Glasgow and the Inverness Campus for innovation, research and education.

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

<sup>11</sup> <http://www.gov.scot/Resource/Doc/364225/0123778.pdf>

<sup>12</sup> <http://www.gov.scot/Resource/0047/00473221.pdf>

## Investment in Housing

The Scottish Government's housing strategy *Homes Fit for the 21st Century*<sup>13</sup> aims to deliver a substantial increase in the number of homes across all tenures. This strategy aims to deliver at least 30,000 affordable homes over the five-year term of the Scottish Parliament, including 20,000 social homes of which at least 5,000 will be Local Authority homes. This is currently on track: figures up to December 2014 show that 23,979 affordable homes have been delivered, 16,679 of which are for social rent.

The Scottish Government is working with the entire 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 throughout Scotland. As part of that package of action, the Scottish Government has increased subsidy rates for social housing by £16,000 and is investing over £1.7 billion in affordable housing through our Affordable Housing Supply Programme over the five-year period to 2015-16.

A range of schemes have been put in place to support private sector activity. This includes the £305 million Help to Buy (Scotland)<sup>14</sup> shared equity scheme, which was launched in September 2013. In January 2015, the Scottish Government introduced a new £30 million small developers fund through Help to Buy (Scotland), which supports buyers who wish to purchase a new build property from smaller developments in Scotland. By early April 2015, over 4,300 homes had been purchased through the Help to Buy (Scotland) scheme.

The Scottish Government is continuing to work creatively with our partners and use innovative ways to deliver more for less public investment. The contribution from innovative financing

approaches using government guarantees, loans, grant recycling and new sources of private funding is substantial and growing. Through such approaches, which also include the National Housing Trust initiative (NHT),<sup>15</sup> around 2,600 new affordable homes have been approved for communities across Scotland with hundreds more in the pipeline. We are investing a further £25 million in Charitable Bonds – an ethical investment instrument – in 2015-16 and our total loan investment of £37 million by 2016 will generate charitable donations of up to £10 million, supporting housing associations in providing up to 600 new affordable homes across Scotland.

## Property Taxation

The Scottish Government has noted that as part of the CSRs to the UK, the European Commission recommended that action was taken to consider reforms to the taxation of land and property to alleviate distortions in the housing market.

The Land and Buildings Transaction Tax (LBTT) replaced Stamp Duty Land Tax (SDLT) in Scotland on 1 April 2015, under powers devolved by the Scotland Act 2012. The Scottish Parliament legislated in 2013 to ensure that LBTT has a marginal progressive rate structure for the taxation of residential and non-residential transactions. The marginal progressive rate structure is intended to remove existing distortions in the housing market by smoothing the marginal rate of tax payable when prices cross a threshold between bands.

The Scottish Government's proposed residential LBTT rates and bands are designed to be proportionate to the taxpayer's ability to pay, to reflect the Scottish housing market and to be revenue neutral. Under these rates, no tax is payable on property purchases up to £145,000, taking around 50 per cent of purchases out of the scope of the tax

<sup>13</sup> <http://www.scotland.gov.uk/Resource/Doc/340696/0112970.pdf>

<sup>14</sup> <http://www.gov.scot/Topics/Built-Environment/Housing/BuyingSelling/help-to-buy>

<sup>15</sup> <http://www.scottishfuturetrust.org.uk/our-work/housing/national-housing-trust/>



in order to provide support to first-time buyers. The tax charge on over 90 per cent of house purchases in Scotland (all those below £330,000) will either be zero or will be lower than the charge under the previous UK SDLT regime.

The independent Commission on Local Tax Reform has been established to identify and examine alternative systems of local taxation that would deliver a fairer system to support the funding of services delivered by local government. The work of the Commission will be to develop a profound understanding of all the potential alternatives to the current council tax system. The Commission will report in the Autumn of 2015.

### **Access to Finance**

As *Scotland's Economic Strategy* makes clear, the future success of Scotland's economy depends on the success of Scotland's businesses. We are therefore committed to ensuring that we create a business environment that supports business growth.

The ability for SMEs to access finance is important for funding business investment, ensuring businesses meet their full growth potential and encouraging business start-ups. Evidence presented in the Scottish Government's SME Access to Finance Report 2014<sup>16</sup> shows that the availability of finance for SMEs is improving. However, the demand for finance amongst SMEs has fallen in recent years.

Figures published in the SME Access to Finance Report indicate that only 18 per cent of Scottish SMEs had applied for finance in the last 12 months, compared to 28 per cent in 2012. However, the proportion of SMEs that successfully obtained all of their finance from the first source approached has improved, with

57 per cent of firms facing no difficulties compared to 50 per cent in 2012. The results also show that 80 per cent obtained the finance they needed from all sources approached. While 27 per cent of SMEs cited accessing finance as an obstacle to the success of their business, this is a substantial reduction compared with 2012 (41 per cent).

The Scottish Government and its agencies are continuing to work directly with existing banks to improve the supply of finance, and we are committed to implementing initiatives which will encourage more firms to actively seek finance. Advisory support is being made available through Scotland's Enterprise Agencies (Scottish Enterprise (SE) and Highlands and Islands Enterprise (HIE)) and Business Gateway, to help companies improve their chances of securing funding. Within this, SE plan to help between 400 and 500 companies secure growth finance by improving their financial readiness in 2014-15.

### **Scottish Investment Bank**

The Scottish Investment Bank (SIB)<sup>17</sup> 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.

In 2013-14 the SIB invested £32.4 million in 111 companies, leveraging additional investment of £93.3 million from private sector partners. The Scottish Loan Fund, administered by the SIB, aims to provide loan finance to growth and export-oriented companies. To date, the £113 million fund has distributed over £41.2 million to 22 companies.

<sup>16</sup> <http://www.gov.scot/Resource/0047/00474061.pdf>

<sup>17</sup> <http://www.scottish-enterprise.com/about-us/what-we-do/sib>

These successful interventions are being made by the Scottish Government in a manner that complements and stimulates early stage private sector investor activity, including Angel Syndicates, Venture Capitalists and corporates. This has resulted in a marked increase in the supply of capital available to Scotland's young, innovative companies with support to Scottish-based investors enhanced by the introduction of international institutional investors.

### **Business Development Bank**

In November 2014, the Scottish Government announced a commitment to establish a Scottish-headquartered Business Development Bank, which will work directly with SMEs and the financial markets to support high growth businesses, boosting innovation and international competitiveness. The bank will build on the success of the Scottish Investment Bank, and we are working jointly with our Enterprise Agencies, and other public and private stakeholders, to develop a vision for the bank which will help address the needs of those 100,000 SMEs in Scotland who employ staff, and to grow the number of high growth businesses that Scotland requires.

### **Public Procurement Reform Programme (PPRP)**

Public procurement is one of the key market-based instruments for achieving smart, sustainable and inclusive growth while ensuring the most efficient use of public funds. As well as improving the efficiency of public sector spending, the Scottish Government is providing support to help more SMEs bid for and secure public sector contracts.

Scotland's Public Procurement Reform Programme<sup>18</sup> aims to drive change within public sector procurement in Scotland, promoting collaborative working across a wide range of procurement activities across all public sector procurement spend. The third phase of the programme (spanning 2014 to 2020) positions procurement as a key driver of policy development, service delivery and sustainable economic growth. The current phase focuses on collaboration between public, private and third sectors, with key objectives for 2014-20 including:

- Increasing the level of support to SMEs seeking to bid for public contracts;
- Reducing the burden on businesses through improved procurement processes and systems;
- The development of a more robust analytical framework for procurement outcomes linked to economic indicators; and
- Ensuring that public procurement delivers economic, social and environmental savings and benefits.

The third phase of the Public Procurement Reform Programme is framed by the new EU Procurement Directives, which aim to increase the efficiency of public spending and increase the participation of SMEs in public procurement; and the Procurement Reform (Scotland) Act 2014, which is detailed in Box 3.

<sup>18</sup> <http://www.gov.scot/Topics/Government/Procurement/about/Review>

### ↓ Box 3: Procurement Reform (Scotland) Act 2014

The Procurement Reform (Scotland) Act 2014,<sup>19</sup> which received royal assent in June 2014, will establish laws regarding sustainable procurement in Scotland, and ensure that procurement makes the most efficient use of public funds to deliver sustainable economic growth.

The Act includes provisions that will:

- Introduce a 'general duty' and a 'sustainable procurement duty' aimed at promoting good, transparent and consistent practice in procurement. This will require public bodies to consider how their procurement activity can improve economic, social and environmental wellbeing;
- Create duties for public sector bodies to consider how procurement might facilitate the involvement of SMEs, third sector bodies and supported businesses, and promote innovation;

- Allow Scottish Ministers to publish statutory guidance for public bodies on how and when selecting tenderers to deliver public contracts their approach to fair employment practices and workforce-related matters can be taken into account; and

- Place a requirement on public bodies to consider community benefit clauses in all major contracts valued at £4 million or above, or to make a public statement explaining why these clauses may not be appropriate.

In February 2015, the Scottish Government published guidance for public purchasers on promoting fair employment practices and workforce matters, including the Living Wage, through public contracts. The guidance will be embedded into the Procurement Reform (Scotland) Act 2014, and once commenced will require public bodies to include in their procurement strategy a statement of their general policy on payment of a Living Wage to persons involved in delivering public contracts.

<sup>19</sup> <http://www.legislation.gov.uk/asp/2014/12/contents>

## CHAPTER 2: PARTICIPATION IN THE LABOUR MARKET

# 2



## Creating opportunity through a fair and inclusive jobs market is a key priority for reducing inequality, increasing competitiveness and boosting sustainable economic growth.

Government has a vital role in addressing long-standing barriers in the labour market so that everyone has the opportunity to fulfil their potential. In particular, 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 boost youth employment, support labour market participation and to ensure that Scotland has a business environment that supports and encourages entrepreneurship and job creation. 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

Table 1 sets out the most recent employment rate data for Scotland.

Scotland's employment rate and female employment rate both increased over the year to Dec-Feb 2015, and Scotland currently has the highest employment rate of all four UK nations.

**Table 1 – Current Scottish Performance Against Employment Indicators**

Indicator	Current Level	Change Over Year	Reference Period
Employment rate (population aged 16-64) <sup>20</sup>	74.2%	1.2%pts increase	Dec-Feb 2015
Female employment rate (population aged 16-64)	72.1%	2.8%pts increase	Dec-Feb 2015

<sup>20</sup> ONS Labour Force Survey Dec-Feb 2015



## SUPPORTING EMPLOYABILITY AND TACKLING YOUTH UNEMPLOYMENT

The Scottish Government recognises that the legacy of the global economic downturn has been to exacerbate a number of labour market challenges which existed prior to the recession – including youth unemployment and underemployment. That is why we continue to take direct action to tackle unemployment and ensure that people who are out of work or underemployed – particularly young people – have access to the right training, skills and education opportunities.

### Actions to Support Youth Employment

Published in December 2014, *Developing the Young Workforce* – Scotland's Youth Employment Strategy,<sup>21</sup> sets out our plans for implementing the recommendations of the report by the Commission for Developing Scotland's Young Workforce.<sup>22</sup> Further information on the strategy and its implementation can be found in Box 4.

The Scottish Government's vision is to have a world-class vocational education system in Scotland. We have set a target of reducing 2014 levels of youth unemployment by 40 per cent by 2021 and we will report annually on progress. We have taken a multifaceted approach to supporting youth employment. This includes:

- A Modern Apprenticeship (MA) programme<sup>23</sup> designed to be responsive to employer needs. 25,284 MA starts were delivered in 2013-14, and we have exceeded our target to deliver over 25,000 MAs each year, with 77,402 new opportunities delivered over the past three years. 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;
- The Scottish Government is committed to helping young people remain and succeed in education, and is investing over £1 billion in Scotland's university sector over 2015-16 to ensure that access to higher education remains free for eligible students. There are 705 more students in Scotland's universities now than in 2006-07. In addition, the Scottish Government set a funding floor of £522 million for colleges in 2013-14 and 2014-15, and has committed to increasing this to £526 million for 2015-16;
- Opportunities For All<sup>24</sup> is the Scottish Government's commitment to an offer of an appropriate place in learning or training for all 16-19 year olds who are not in education, employment or training. Figures to March 2014 show that 90.0 per cent of school leavers were in a sustained positive destination (that is were participating in learning, training or work nine months after leaving school), up from 89.5 per cent in 2013. Sustained positive destinations have continued to rise year on year from 84 per cent in 2007-08; and
- 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 2013-14, £28.2 million of funding was provided to support 34,955 young people in schools and colleges. Over a third (34 per cent) of all school pupils in Scotland received an EMA payment in 2013-14.<sup>25</sup>

<sup>21</sup> <http://www.gov.scot/Resource/0046/00466386.pdf>

<sup>22</sup> <http://www.gov.scot/Resource/0046/00466386.pdf>

<sup>23</sup> <http://www.skillsdevelopmentscotland.co.uk/our-services/modern-apprenticeships/>

<sup>24</sup> <http://www.gov.scot/Publications/2012/11/7618/downloads#res408815>

<sup>25</sup> EMA statistics for 2013-14 are available here: <http://www.gov.scot/Resource/0047/00473742.pdf>

## **Box 4: Developing the Young Workforce – Scotland's Youth Employment Strategy**

In January 2013 Scottish Ministers established the independent Commission for Developing Scotland's Young Workforce, chaired by Sir Ian Wood. The Commission, which was tasked with improving Scottish education and training, and encouraging employers to employ more young people directly from education, published its final report in June 2014.

The Commission produced 39 recommendations, which have been accepted by the Scottish Government and are being implemented through a seven-year national programme. The Scottish Government's full response was set out in *Developing the Young Workforce – Scotland's Youth Employment Strategy*. Early action is supported by £12 million of funding in 2014-15, and a further £16.6 million for 2015-16.

The implementation plans, agreed with local government, outline activity to ensure young people have access to a broader

range of learning options, improving and extending careers advice and work experience, and ensuring that skills and training provision is shaped and supported by employers.

A National Advisory Group, chaired jointly by the Cabinet Secretary for Fair Work and Skills, Roseanna Cunningham MSP, and the COSLA spokesperson for education, children and young people, Councillor Douglas Chapman, provides senior stakeholder and political support for the programme. Progress against the implementation plans is measured by the Programme Board, chaired from within the Scottish Government and drawing its membership from local government, the college sector and industry. The establishment of regional groups to support stronger employer engagement in shaping skills and training for young people in Scotland is led by the National Invest in Young People Group, chaired by Rob Woodward (Chief Executive of STV).

The Youth Employment Scotland Fund (YESF)<sup>26</sup> moves forward our commitment to help unemployed young people into work and has been developed to integrate and link fully with the Scottish Government's existing employability and skills programmes. The initiative will provide up to 10,000 young people in Scotland with an enhanced package of support from day one of unemployment, and support individuals to move into sustained employment.

A total of £25 million is available for YESF, of which £10 million is available under Priority 5 Stage 4 of the European Social Fund (ESF) matched by £15 million of Scottish Government funding. From

1 January 2015, YESF has continued to support young people through a co-investment model between the Scottish Government and Local Authorities.

This is in addition to a range of investments by the Scottish Government to help young people into and towards work. This includes over £6 million for the third sector to create up to 1,000 job training opportunities in 2015-16, as part of the next phase of Community Jobs Scotland (CJS); £1 million to offer loans to young entrepreneurs through the Princes Trust; and £4.6 million to support a variety of graduate support programmes, including Adopt an Intern and the Graduate Recruitment Incentive.

<sup>26</sup> <http://www.employabilityinscotland.com/policy-and-partnership/youth-employment/youth-employment-scotland-fund/>

## 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*<sup>27</sup> – 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 ongoing, with key priorities for 2015-16 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. All this work is now being carried out within the context of the Smith Commission recommendations in relation to the devolution of Department for Work and Pensions welfare to work programmes.

Action is being monitored by the Scottish Employability Forum,<sup>28</sup> jointly chaired at a senior political level by Scottish, UK and local governments. The Forum last met in February 2015 and agreed that further work should be taken forward in relation to a better coordinated approach to performance management and measurement.

## Promoting Fair Work

Tackling inequality, as well as being a key objective in itself, can also have a positive impact on the wider performance of an economy. To help tackle inequalities, the Scottish Government is committed to creating a jobs market that is fair and inclusive. A central part of *Scotland's Economic Strategy* is the Scottish Government's Fair Work agenda, encompassing job security, fair reward and opportunities for personal and workplace development.

A Fair Work Convention has been established following the recommendations of the Working Together Review.<sup>29</sup> The Convention will provide independent advice to the Scottish Government on matters relating to innovation and productive workplaces, Fair Work and the Living Wage in Scotland to support the Scottish Government's objective to reduce inequality and promote diversity and equality. The Convention will develop, promote and sustain a fair employment and workplace framework and advise the Scottish Government on issues relating to Fair Work which are within the scope of the current devolution settlement.

Further details on the Scottish Government's support for the Living Wage can be found in Chapter 6.

<sup>27</sup> <http://www.gov.scot/Resource/0040/00402275.pdf>

<sup>28</sup> <http://www.employabilityinscotland.com/policy-and-partnership/scottish-employability-forum/>

<sup>29</sup> <http://www.gov.scot/Resource/0045/00457659.pdf>

## Employability Fund

The Employability Fund<sup>30</sup> 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. In 2013-14, 17,370 people received support through the Employability Fund.

## 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).<sup>31</sup> 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 2014 to March 2015, PACE provided support to 12,161 individuals and 252 employers.<sup>32</sup>

## SUPPORTIVE BUSINESS ENVIRONMENT

As *Scotland's Economic Strategy* makes clear, the key driver of Scotland's economic success will be the growth and competitiveness of Scotland's businesses. We are therefore committed to delivering a business environment that supports business growth.

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

A range of initiatives are being taken forward across Scotland that help promote a supportive business environment in order to deliver sustained growth in the private sector. We are continuing to target our interventions at sectors and companies where we have a distinct comparative advantage. In addition, we also focus on how we can stimulate entrepreneurship and performance in more locally-traded sectors.

<sup>30</sup> <http://www.skillsdevelopmentscotland.co.uk/our-services/employability-fund/>

<sup>31</sup> <http://www.gov.scot/Topics/Business-Industry/support/15419>

<sup>32</sup> 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 2014 until March 2015 was 392.

## Business Gateway

Business Gateway<sup>33</sup> is a key delivery channel offering a first point of contact for all publicly-funded advice to potential startup, 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 2013-14, Business Gateway assisted in the formation of 10,153 new businesses. In addition, the enhancement of the Business Gateway service with Local Advisory services and Local Expert Help has supported a further 7,500 businesses, giving access to expertise and local knowledge that may not previously have been available to these companies.<sup>34</sup>

## Scotland's Enterprise Agencies

Scotland's Enterprise Agencies – Scottish Enterprise (SE) and Highlands and Islands Enterprise (HIE) – help deliver growth and development in line with the twin goals set out in *Scotland's Economic Strategy* of improving competitiveness and helping to tackle inequalities.

The work of the agencies is vital, with a prioritisation of their activities toward a strategic focus on Innovation, Internationalisation, Investment and Inclusive growth at a 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 internationalisation of Scottish firms. 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 Areas,<sup>35</sup> 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. By October 2014, 30 months 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 40 businesses, creating or safeguarding around 750 jobs. 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.

<sup>33</sup> <http://www.bgateway.com/>

<sup>34</sup> Business Gateway's Annual Review highlights their successes nationally and at local level and is available at: <http://www.bgateway.com/documents/general/bg-ar13-national-18jun14.pdf>

<sup>35</sup> <http://www.scotland.gov.uk/Topics/Economy/EconomicStrategy/Enterprise-Areas>



## Encouraging Entrepreneurship

*Scotland's Economic Strategy* identifies entrepreneurial activity as a key driver of sustainable economic growth. This and other areas are directly addressed in *Scotland CAN DO*,<sup>36</sup> our framework for entrepreneurship and innovation launched in November 2013. The framework 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 partnered approach between government, businesses, third sector partners and others.

The *Scotland CAN DO* Action Framework was published in April 2014, which sets out how we are investing and working with our partners to help Scotland achieve the ambitions set out in *Scotland CAN DO*. Entrepreneurial and innovation actions being taken forward through *Scotland CAN DO* will be supported with a commitment of £3 million for 2015-16.

The Scottish Encouraging Dynamic Growth Entrepreneurs (EDGE) Fund,<sup>37</sup> launched in 2012, aims to support and encourage entrepreneurial activity among young companies in Scotland, delivering investments of up to £100,000 to businesses with growth potential. Originally hosted in Scottish Enterprise, the EDGE Fund is now an independent body supported by the Hunter Foundation who, along with RBS, are supporting the fund with a £3.2 million investment in addition to the Scottish Government's commitment of £2.35 million. There have been 5 rounds of funding to date which have allocated close to £3.4 million to 85 businesses. These businesses have gone on to create over 200 jobs, generate £8.5 million in additional turnover and secure £4.3 million of new investment.

Building on this, the Scottish Government launched the Young EDGE Fund<sup>38</sup> in February 2014. Open to young people aged 18-30 years, this competition runs in parallel and complementary to the 'senior' Scottish EDGE Fund. Awards of up to £10,000 are made to young businesses judged to be most capable of growth.

In January 2015, we announced an investment of over £500,000 to support the purchase and renovation of the Prince's Trust headquarters in Glasgow, which will become the largest youth employment and enterprise hub in Scotland. The Trust aims to provide education, training and business support to 6,000 young people through the centre in its first year.

We are encouraging a culture of entrepreneurship from an early age through the Enterprising Schools Project. Through this project, Young Enterprise Scotland will, in conjunction with Education Scotland, lead partner organisations involved in entrepreneurial education activities towards the development of a 'Charter mark' of enterprise activity.

This new initiative sits alongside other Scottish Government supported projects including Bridge 2 Business<sup>39</sup> in the college sector, We Are The Future,<sup>40</sup> which runs events aimed at supporting and inspiring the next generation of entrepreneurs and Power of Youth,<sup>41</sup> which supports young entrepreneurs with growth potential.

Alongside helping young people to become more entrepreneurial, we are working to close the gender gap in enterprise. Box 5 sets out our support for the actions being taken by Women's Enterprise Scotland, to help improve the economic opportunities for women in Scotland.

<sup>36</sup> <http://www.gov.scot/Resource/0043/00438045.pdf>

<sup>37</sup> <http://www.scotedge.com/>

<sup>38</sup> <http://www.scotedge.com/young-edge/>

<sup>39</sup> <http://bridge2business.org.uk/index.php>

<sup>40</sup> <http://www.wearethefuture.org.uk/>

<sup>41</sup> <http://power-of-youth.org/>

## **Box 5: Women in Enterprise Action Framework**

Maximising economic opportunities for women to participate fully in the economy is key to improving economic performance and tackling inequality, as outlined in *Scotland's Economic Strategy*.

Launched in 2014 in partnership with Women's Enterprise Scotland, 'Women in Enterprise: A Framework & Action Plan'<sup>42</sup> sets out the Scottish Government's support for the development of public, private and third sector partnerships across Scotland to strengthen entrepreneurial activity amongst women. This collaborative approach is also an underlying strength and key ethos of *Scotland CAN DO* – our national statement of intent towards becoming a world-leading entrepreneurial and innovative nation, of which women's enterprise is set out as a priority area of action. The Action Plan focuses on four themes: mentoring and networking; role-modelling; markets and finance; and gender specific support. Alongside the Scottish Government and Women's Enterprise Scotland, the Framework is supported by Business Gateway, Scottish Enterprise, Highlands and Islands Enterprise and RBS.

Scottish Government funding of the Framework's implementation has enabled the creation of the Women's Enterprise Ambassadors role-model project which is publicly profiling successful female entrepreneurs to inspire, motivate, connect and engage with women to raise their entrepreneurial aspirations. There are currently 10 Ambassadors bringing expertise from a range of sectors, locations, age and ethnicities, with a further 20 to be appointed.

In addition, the Scottish Government is supporting Investing Women with £50,000 to roll-out their 'Catalyst Programme' across Scotland with the aim of helping women-led businesses become investment ready and to increase the number of women angel investors. Since the roll-out in 2014, five 'graduates' of the programme have gone on to seek and secure investment totalling £2.55 million and have increased the participation of women in the Scottish angel-investment community.

## **INCREASING SCOTTISH FIRMS' EXPOSURE TO INTERNATIONAL TRADE AND INVESTMENT**

Scotland's economic success is increasingly realised through our links with the global economy.

*Scotland's Economic Strategy* identifies Internationalisation as a key priority for delivering sustainable economic growth, and sets out our approach to support

new and existing Scottish businesses. The strategy sets out how we will support Scotland's exporters to grow into new markets and expand their presence in key traditional markets such as the EU and North America; and encourage a more export-orientated focus across all businesses and sectors in Scotland, in particular amongst our small and medium enterprises.

<sup>42</sup> [http://strathprints.strath.ac.uk/47878/1/WES\\_Action\\_Framework.pdf](http://strathprints.strath.ac.uk/47878/1/WES_Action_Framework.pdf)

We established an ambitious target for Scottish businesses to deliver a 50 per cent increase in the value of exports to the rest of the world (not including the rest of the UK), relative to 2010. Scottish businesses are making great strides toward achieving this target despite difficult trading conditions in international markets. The latest *Global Connections Survey*,<sup>43</sup> published January 2015, shows that international exports have increased 20.3 per cent from £23.2 billion in 2010 to £27.9 billion in 2013.

### **Scottish Development International**

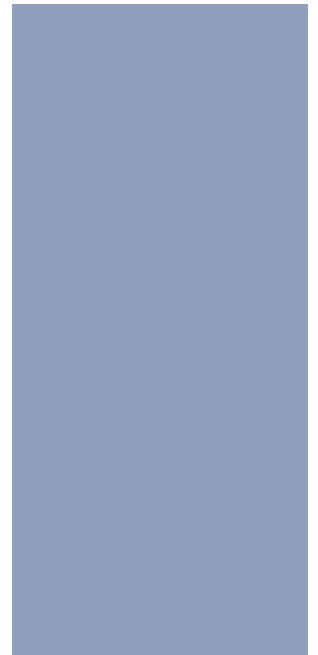
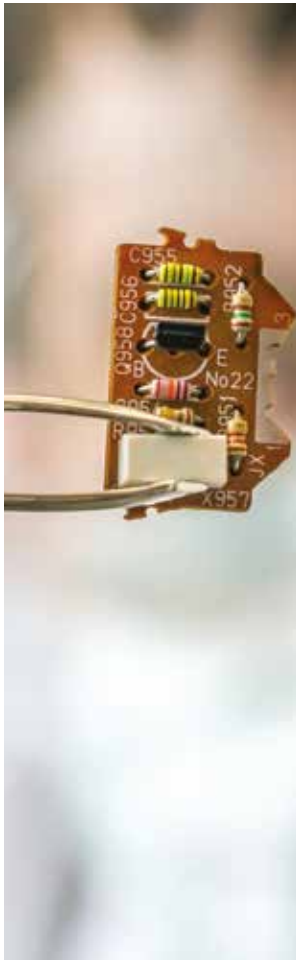
Operating as a joint venture between the Scottish Government, SE and HIE, Scottish Development International (SDI) undertakes a range of activities to help businesses operate on the international stage. These include helping foreign companies invest and thrive in Scotland, raising awareness of the benefits of exporting, supporting companies to take their first steps towards trading overseas and in growing their international sales. As well as providing support for exporting, SDI integrates the full range of SE and HIE business growth support.

In 2013-14 SDI supported more than 2,700 companies through a range of trade activities, such as workshops, trade missions and in-market support (an increase of around 29 per cent from 2012-13). Over the same period, SDI and partners worked with 228 companies on significant new international projects with a projected growth of £1.25 billion in sales over the next three years. This is an increase on the £822 million that was achieved through the same activity in the previous year.

In addition, SDI has a network of 29 overseas offices, with over 100 sales professionals promoting Scotland across the world. SDI has offices in key overseas markets including China, India, Brazil and the Middle East.

<sup>43</sup> <http://www.gov.scot/Resource/0046/00469028.pdf>

## CHAPTER 3: INNOVATION AND R&D



Scotland has a strong base of innovation to build on. It has a tradition of commitment to research and science, a highly-skilled workforce and world-renowned universities producing high-impact research.

*Scotland's Economic Strategy* identifies innovation as a key priority for delivering sustainable economic growth, and Scotland has many strengths in this area. For instance the 2014 Research Excellence Framework<sup>44</sup> identified 77 per cent of Scottish university research as world leading (four star) or internationally excellent (three star) while 86 per cent was assessed as four star or three star in terms of impact.

This chapter outlines the actions taking place throughout Scotland aimed at fostering a culture of innovation 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 (R&D) activities Europe 2020 has set a target of:

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

### CURRENT SCOTTISH PERFORMANCE

Scotland's innovation performance is measured through a range of indicators, with Table 2 outlining the current performance.

**Table 2 – Current Scottish Performance Against Innovation and R&D Indicators**

Indicator	Current Level	Change Over Year	Reference Period
Gross Expenditure on Research and Development <sup>45</sup>	1.55% of Scottish GDP	0.06%pts increase	2013
Weighted index of Scottish Universities' Income from Knowledge Exchange Activities <sup>46</sup>	11.1% above the baseline year of 2007-08	16.2% above the previous year	2012-13
Proportion of innovation active firms in Scotland <sup>47</sup>	43.3%	10.0%pts above previous reference period (2008- 10)	2010-12

<sup>44</sup> <http://www.ref.ac.uk/pubs/201401/>

<sup>45</sup> <http://www.gov.scot/Topics/Statistics/Browse/Business/RD>

<sup>46</sup> <http://www.gov.scot/About/Performance/scotPerforms/indicator/knowledge>

<sup>47</sup> [UK Innovation Survey 2013](#)



As shown in Table 2, Scotland's performance against each of the innovation indicators is continuing to improve. Over the year to 2013, Scotland's Gross Expenditure on R&D as a share of GDP increased; the share of Scottish Universities' income from knowledge exchange activities in 2012-13 was significantly higher than the previous year, and remains well above the 2007-08 baseline level; and the proportion of innovation active firms in 2010-12 was 10 percentage points above the previous reference period (2008-10).

The latest Scottish participation figures for the EU's Seventh Framework Programme for Research (FP7), up to end June 2014, show that Scottish organisations secured funding of over €725 million. This represents around 1.6 per cent of the total allocated FP7 funding and almost 11 per cent of the UK allocation. Of this amount around €620 million has been awarded to Scottish Higher Education organisations and Research Institutes. Scottish businesses, public bodies and other organisations secured almost €105 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<sup>48</sup> – the European Union's programme for Research and Innovation, and a key pillar of the Innovation Union,<sup>49</sup> one of Europe 2020's flagship initiatives.

To help support engagement in Horizon 2020 the Scottish EU Research and Innovation Steering Group<sup>50</sup> has delivered a package of support for Scottish organisations, with more detail provided in Box 6.

Additionally, Enterprise Europe Scotland<sup>51</sup> – a joint venture between SE, HIE and Highland Opportunity which helps Scottish firms to do business in Europe – has been selected as a consortium member to implement CoachCom2020,<sup>52</sup> the new programme providing business innovation coaches to support the SME Instrument beneficiaries. Scotland's involvement as a key partner in the development of this international coaching best practice platform will not only help Scottish SME Instrument beneficiaries but provides access to international innovation coaches for other high growth companies.

<sup>48</sup> <http://ec.europa.eu/programmes/horizon2020/>

<sup>49</sup> [http://ec.europa.eu/research/innovation-union/index\\_en.cfm](http://ec.europa.eu/research/innovation-union/index_en.cfm)

<sup>50</sup> <http://www.gov.scot/Topics/Business-Industry/support/Horizon2020>

<sup>51</sup> <http://www.enterprise-europe-scotland.com/sct/>

<sup>52</sup> <http://ec.europa.eu/easme/en/coaching-under-sme-instrument>



## **Box 6: Scottish EU Research and Innovation Steering Group**

The Scottish EU Research and Innovation Steering Group<sup>53</sup> 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 Scottish Funding Council, SE, HIE, Scotland Europa and Enterprise Europe Scotland. 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 2014, the Steering Group worked in collaboration with a number of partners to support engagement in Horizon 2020 programmes. This included supporting the application of LifeKIC,<sup>54</sup> the University of Edinburgh-led consortium for the Healthy Living and Active Ageing Knowledge Innovation Community (KIC). Working with the LifeKIC partners, the Steering Group members helped raise awareness of the application including through assisting in the development of a website and hosting an event for members of the wider research and industry communities.

Although the LifeKIC bid was ultimately not successful there has been a number of 'lessons learnt' from this experience that are already being used to influence and inform future Scottish participation in the 2016 and 2018 KIC calls.

Steering Group partner Enterprise Europe Scotland<sup>55</sup> has developed a tailored 'Client Journey' to help support our innovative SMEs applying for the Horizon 2020's SME Financial Instrument scheme.<sup>56</sup> This initiative provides intensive support for a select group through the application process. Initial results in the first round of the SME Instrument scheme were encouraging with three companies making it to the second stage of the programme. This equates to a success rate of 20 per cent, compared to an overall European rate of 6.4 per cent which, in a highly competitive arena, is a promising start.

To help maximise Scotland's engagement in Europe, Scotland Europa has commenced an exercise to map Scotland's strengths in industry and research against the opportunities for participating in EU research and innovation programmes. Results will help enhance our understanding of the opportunities and challenges ahead and influence the activities of the Steering Group.

<sup>53</sup> <http://www.gov.scot/Topics/Business-Industry/support/Horizon2020>

<sup>54</sup> <https://www.h2020uk.org/web/healthktn/article-view/-/blogs/life-kic-network-looking-for-innovative-digital-health-organisations>

<sup>55</sup> <http://www.enterprise-europe-scotland.com/sct/>

<sup>56</sup> <http://ec.europa.eu/easme/en/coaching-under-sme-instrument>

## ***Boosting Innovation and Commercialisation in Scotland***

Innovation is a key driver of productivity growth, and Scotland has a strong base of innovation to build on. As *Scotland's Economic Strategy* makes clear, improvements in innovation enable businesses to become more competitive, grow more quickly, enter new markets and become more resilient to change.

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

*Scotland CAN DO*,<sup>57</sup> Scotland's framework for entrepreneurship and innovation, was launched in November 2013. The document sets out Scotland's ambition to become a world-leading entrepreneurial and innovative nation. An Action Framework<sup>58</sup> was published in April 2014, which sets out the key actions and priorities for achieving this vision. A *Scotland CAN DO* Innovation Forum, chaired by the Deputy First Minister, will focus on increasing the contribution that innovation can make to the economy through driving up levels of business innovation.

The Innovation Scotland Policy Forum (ISF)<sup>59</sup> was established in 2013 to increase the efficiency, effectiveness, clarity, simplification and sustainability of the support for innovation, including entrepreneurship, provided at the interface between universities and business in Scotland. The ISF will work with the new *Scotland CAN DO* forum to drive forward progress in enhancing university-business engagement and greater collaboration between the sector and the enterprise agencies.

We are continuing to provide support for Interface,<sup>60</sup> the free, national service which match-makes businesses with research resources in Scotland's universities and research centres. Now in its tenth year, Interface has introduced over 1,868 businesses to academic partners, resulting in 1,098 company and university collaborative projects initiated. From these services 79 per cent of Interface clients, have or will, increase their turnover. Interface also administers the newly introduced Horizon 2020 SME Engagement Scheme.

We are also supporting ambitious collaborations between businesses, universities and others to capitalise on Scotland's world-class research through a network of Innovation Centres.<sup>61</sup> The first Centre was launched in April 2013, and there are currently eight in Scotland, collectively spanning across Stratified Medicine, Sensors and Imaging Systems, Digital Health, Industrial Biotechnology, Oil and Gas, Big Data, Construction and Aquaculture. The Centres are being supported by £124 million of funding from the Scottish Government over 2013-19, which is being administered by the Scottish Funding Council.

<sup>57</sup> <http://www.gov.scot/Publications/2013/11/7675>

<sup>58</sup> <http://www.gov.scot/Publications/2014/04/3454>

<sup>59</sup> <http://www.gov.scot/Topics/Education/UniversitiesColleges/16640/UniversitiesColleges>

<sup>60</sup> <http://www.interface-online.org.uk/>

<sup>61</sup> <http://www.sfc.ac.uk/funding/FundingOutcomes/KnowledgeExchange/InnovationCentres/InnovationCentres.aspx>

Building on the successful creation of Scotland's eight Innovation Centres the Scottish Government will support the Centres to work together on industrial and societal challenges through a £1 million Innovation Challenge Fund. This Challenge Fund will call for action across more than one industry sector stimulating multiple Innovation Centres to draw from our universities and other stakeholders to develop innovative, industry-focused solutions to benefit the people and economy of Scotland.

In addition to supporting innovation activity in Scotland, the Scottish Government will support international collaboration by piloting Innovation and Investment Hubs at key global locations. These Hubs will be tasked with securing research and innovation partners, investors in Scottish innovation, and building on established exporting and inward investment expertise. The Hubs will provide a focus for Scottish companies or universities needing presence in a country, capital or continent, including links to our network of Innovation Centres.

Through the Young Innovators Challenge<sup>62</sup> we are actively encouraging a culture of creativity and entrepreneurship amongst 18–24 year olds. This competition, which is supported by industry representatives across a number of key sectors, supports

the competition winners to turn their business ideas into reality by providing cash prizes and 'in kind' business support. The 2014 challenge attracted 232 entries, with 33 winners each winning prizes of up to £2,500. The theme of the 2015 Challenge is 'social innovation', with entries invited from fields including healthcare and wellbeing, low carbon and sustainability and smarter communities.

### ***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 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,<sup>63</sup> which is driving excellence and specialisation in regional innovation. Scotland is also a member of the Vanguard Initiative,<sup>64</sup> which is outlined in Box 7.

<sup>62</sup> <http://news.scotland.gov.uk/News/Young-Innovators-Challenge-2015-13c9.aspx>

<sup>63</sup> [http://ec.europa.eu/research/regions/index\\_en.cfm?pg=smart\\_specialisation](http://ec.europa.eu/research/regions/index_en.cfm?pg=smart_specialisation)

<sup>64</sup> <http://www.s3vanguardinitiative.eu/>

## **Box 7: The Vanguard Initiative – New Growth through Smart Specialisation**

Scotland is engaging with other European regions to learn, develop, design and co-invest in pilots and projects in areas of specialism for Scotland. This includes through our membership of the Vanguard Initiative. This Initiative brings together 25 innovative European regions who aim to both influence EU innovation and industrial policies by sharing and presenting their own experiences to the European Commission and Parliament and, through engagement with industry and collaboration across regions, to develop projects in key priority areas that will deliver economic benefits to the participating regions and Europe as a whole.

As an active and engaged partner in the Vanguard Initiative, Scotland has been involved across the full range of activities since the Initiative's inception in November 2013. In policy terms this has included engagement with MEPs in the European Parliament in October 2014 to update them on the work of the Initiative; Scottish representatives taking the platform at key European events, most recently the *Smart Specialisation Strategies: New Approaches for Partnerships among Education, Research and Industry in Regions Presidency conference* in Riga; and, meetings with senior officials in the Commission on investment, innovation and industrial engagement.

Scotland recently played host to over 110 delegates from the 25 member regions of the Vanguard Initiative alongside key participants from the European Commission DG Grow, DG Regio, DG RTD and the JRC as well as other Scottish and Regional actors. Delegates engaged in a high level policy forum to discuss current and future opportunities for collaboration amongst the partners and the action required at Regional, Vanguard and European level to make that happen.

Scotland is jointly leading a pilot project with the Basque Country on the development of Advanced Manufacturing for Energy Related Applications in Harsh Environments. The aim is to strengthen a sector of European manufacturing that is well positioned to dominate global markets. The combination of EU regional strengths across energy and advanced manufacturing domains within the Vanguard Initiative (and beyond) has significant potential to generate new ideas, technologies and applications. Ten other EU regions have committed to taking forward this activity and a focused mapping exercise has been completed which provides the initial basis on which to understand mutual strengths and capacity. There is a recognition that this exercise must be led by industry and an inventory of industrial capability is being built as this process develops. This will allow for the identification of matching opportunities – i.e. where ideas, approaches, expertise and infrastructure can be brought together to generate projects and investments for enhanced market development, linked to global market needs.

In addition, to help Scottish SMEs become more competitive and support them through the innovation journey, Scottish Enterprise has introduced some new approaches to the assistance it provides. These have evolved from participation in the Interreg project TR3S (Towards Regional Specialisation for Smart growth spirit).<sup>65</sup> Scottish Enterprise was one of 10 organisations, representing nine regions from across Europe, in this project. Through the exchange of experience and insights from partners a number of ideas were sparked, some of which have been adapted into the new mechanisms Scottish Enterprise is delivering to help support and stimulate innovation in Scotland's companies.

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,<sup>66</sup> a major initiative of the European Commission which is part of the Innovation Union Strategy<sup>67</sup> 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.

## DIGITAL INFRASTRUCTURE

The flagship initiative on 'A Digital Agenda for Europe',<sup>68</sup> 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. The European Commission has recently placed emphasis on creating a connected digital single market to remove barrier to the flow of online services across Europe.

This ambition is aligned with the focus in the SES which identifies that investment in our physical and digital infrastructure is vital to improving connectivity, helping our cities, towns and regions to drive growth and compete internationally.

### Digital Scotland

Scottish Ministers' aspiration is for Scotland to be a leading digital nation by 2020. *Scotland's Digital Future: A Strategy for Scotland*,<sup>69</sup> published in 2011, outlines the key elements that are required to ensure Scotland is well positioned to take full advantage of the digital age.

Our support to develop Scotland's digital economy is being delivered through the Digital Scotland Business Excellence Partnership.<sup>70</sup> The Partnership brings together key partners from the public and private sectors, with separate business and skills programmes hosted respectively by Scottish Enterprise and Skills Development Scotland. The combined £13.6 million available under these programmes is supporting and enabling businesses across Scotland to take advantage of the huge opportunities offered by digital technologies and approaches. It is also helping to support skills development by implementing the ICT and digital technologies Skills Investment Plan,<sup>71</sup> published in March 2014 and designed to ensure that our workforce is equipped with the necessary skills to embrace the opportunities of the digital age.

<sup>65</sup> <http://tr3s-project.eu/>

<sup>66</sup> [http://ec.europa.eu/research/innovation-union/index\\_en.cfm?section=active-healthy-ageing](http://ec.europa.eu/research/innovation-union/index_en.cfm?section=active-healthy-ageing)

<sup>67</sup> [http://ec.europa.eu/research/innovation-union/index\\_en.cfm](http://ec.europa.eu/research/innovation-union/index_en.cfm)

<sup>68</sup> <http://ec.europa.eu/digital-agenda/>

<sup>69</sup> <http://www.gov.scot/resource/doc/981/0114237.pdf>

<sup>70</sup> <http://www.digitalscotland.org/businesses/business-excellence-partnership/>

<sup>71</sup> <http://www.skillsdevelopmentscotland.co.uk/resources/skills-investment-plans/>



## **Expanding Broadband Provision**

The Scottish Government's vision is for Scotland to have world-class digital connectivity by 2020. The infrastructure investment in the Digital Scotland Superfast Broadband Programme<sup>72</sup> will allow households and businesses right across the country to enjoy the benefits of high quality digital connectivity. Digital connectivity also provides a platform for future economic development and regeneration right across Scotland, helping to address the digital divide.

Two Superfast Scotland projects are being delivered in partnership with BT. The Highlands and Islands project<sup>73</sup> involves 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<sup>74</sup> to deliver fibre broadband to over 600,000 homes and businesses in 130,000 postcode areas. Alongside public sector investment, BT is also investing £106.7 million in the project.

Alongside commercial coverage, the Superfast Scotland 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)<sup>75</sup> was established in 2012 and is a complementary initiative to the Superfast Broadband Programme. With an investment of £7.5 million, CBS is supporting community-led broadband projects in the "hardest to reach" rural communities. CBS is empowering and

enabling 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 funds 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, and work is underway to bring superfast broadband to remote communities in the Isle of Skye.

*Scotland's Digital Future – Infrastructure Action Plan*,<sup>76</sup> 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 next stage of work involves the translation of the world-class vision into a comprehensive delivery plan, which is being led by the Scottish Futures Trust in partnership with the wider public sector and industry. A route map for delivery of Scotland's Digital Future is expected in the course of 2015.

## **Scotland's Digital Future – Delivery of Public Services**

*Scotland's Digital Future – Delivery of Public Services*,<sup>77</sup> 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.

<sup>72</sup> <http://www.digitalscotland.org/superfast-broadband/the-programme/>

<sup>73</sup> <http://www.hie.co.uk/regional-information/digital-highlands-and-islands/>

<sup>74</sup> [http://www.digitalscotland.org/media/16354/ros\\_171013.pdf](http://www.digitalscotland.org/media/16354/ros_171013.pdf)

<sup>75</sup> <http://www.gov.scot/Topics/Economy/digital/action/WC2020/CBS>

<sup>76</sup> <http://www.gov.scot/Resource/0038/00386525.pdf>

<sup>77</sup> <http://www.gov.scot/Publications/2012/09/6272>

Our first major partnership project is the Scottish Wide Area Network (SWAN)<sup>78</sup> which aims to enable infrastructure and service sharing that will produce cost efficiencies built upon aggregating demand. The SWAN Vanguard Project (the first project under the Programme) was designed to deliver a single public services communications network in Scotland which is open to all public service organisations. The four SWAN Vanguard Partners are: NHSScotland; Pathfinder North (Highland Council, Argyle & Bute Council, Moray Council, Orkney island Council and the Western Isles); Pathfinder South (Dumfries and Galloway Council and the Scottish Borders Council); and Education Scotland.

The new infrastructure went live and was made Ready-for-Service at the end of July 2014. Education Scotland and NHSScotland now have services running over SWAN and over 1,500 sites are now connected. Education Scotland transitioned entirely to SWAN by the end of January 2015 and the NHS sites are working towards a full transition in mid-2015. Pathfinder South started its transition in November 2014 and is planned to be complete by the end of May 2015. Pathfinder North will have its transition completed in 2016 to make use of the new infrastructure being delivered as part of the Superfast Broadband roll-out. Using this new infrastructure, SWAN can reach approximately 700 of the 750 sites and will provide a £7 million saving over the lifetime of the contract.

<sup>78</sup> <http://www.gov.scot/Topics/Economy/digital/digitalservices/strategy>

## CHAPTER 4: CLIMATE CHANGE, LOW CARBON AND RESOURCE EFFICIENCY

4



## Securing the transition to a lower carbon, more resource-efficient economy is an important aspect of *Scotland's Economic Strategy* – with implications for business, government and Scotland's people.

*Scotland's Economic Strategy* highlights the importance of prioritising our investment to ensure that Scotland protects and nurtures its natural resources and explores the opportunities offered by the transition to a more resource-efficient, lower carbon economy.

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. Scotland's current performance against these targets are presented in Table 3.

**Table 3 – Current Scottish Performance Against Transition to a Low Carbon Economy Indicators**

Indicator	Target	Current Level	Change Over Year	Reference Period
Greenhouse Gas Emissions <sup>79</sup>	Reduce emissions by at least 42% by 2020 and at least 80% by 2050, compared to a 1990 base year	26.4% reduction from 1990 to 2012, after taking account of trading in the EU Emissions Trading System (EU ETS)	0.5% increase in emissions	2012
Indigenous Renewable Energy Sources <sup>80</sup>	Generate the equivalent of 100% of gross electricity consumption from renewable sources by 2020	44.4%	5.6%pts increase	2013
Heat Demand <sup>81</sup>	11% of Scotland's heat demand from renewables by 2020	3.0%	0.3%pts increase	2012
Energy Efficiency <sup>82</sup>	Reduce final energy end-use consumption by 12% by 2020 (against a 2005-07 baseline)	11.8% lower than baseline	3.1% decrease in consumption	2012

<sup>79</sup> <http://www.gov.scot/About/Performance/scotPerforms/purpose/sustainability>

<sup>80</sup> <http://www.gov.scot/About/Performance/scotPerforms/indicator/renewable>

<sup>81</sup> <http://www.gov.scot/Resource/0046/00466708.pdf>

<sup>82</sup> ibid

Scotland is performing well against each of its low carbon targets. As shown in Table 3, Scotland's Greenhouse Gas emissions have fallen significantly from the baseline; Scotland is currently on track to reach its target of 100% of gross electricity consumption from renewable sources by 2020; final energy end-use consumption is decreasing; and the share of Scotland's heat demand from renewables is increasing.

## **OPPORTUNITIES FROM A LOW CARBON ECONOMY**

The Scottish Government is committed to growing the low carbon economy in Scotland, characterised by high levels of resource efficiency and the development of low carbon goods, processes and services.

### ***Second Report on Proposals and Policies (RPP2)***

*Low Carbon Scotland, Meeting the Emissions Reduction Targets 2013-2027*,<sup>83</sup> 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. Measures in RPP2 include expanding renewable energy production, improvements in energy and resource efficiency in households and industry, transition of transport to a lower carbon basis, expansion of renewable sources of heat, and sustainable land use.

### ***Routemap for Renewable Energy***

The Scottish Government's 2020 Routemap for Renewable Energy in Scotland<sup>84</sup> 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 developing and deploying a wide range of renewable energy technologies to create job and investment opportunities, improve security of supply, help reduce emissions, and enable communities and individuals in urban, rural and remote areas to reduce their reliance on fossil fuels. The Routemap is updated annually to highlight progress and reflect current priorities and challenges.

### ***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, particularly in the marine and community sectors, through commercial loans and energy. REIF has allocated funding to a number of projects, including £17.2 million to support the construction of one of the world's largest tidal power projects (in the Pentland Firth) and over £1.5 million to support the largest wholly community-owned wind farm in the UK (on the Isle of Lewis).

As part of our Programme for Government 2014-15, a new Local Energy Investment Fund will be piloted under REIF. The Fund will make early investment in renewable energy projects on behalf of communities, who will then have time and support to consider buying in.

### ***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).

<sup>83</sup> <http://www.scotland.gov.uk/Topics/Environment/climatechange/scotlands-action/lowcarbon/meetingthetargets>

<sup>84</sup> <http://www.gov.scot/Publications/2011/08/04110353/0>



The Scottish Government's £10 million Saltire Prize<sup>85</sup> 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 four competitors: Aquamarine Power (wave), Scottish Power Renewables (tidal), MeyGen (tidal) and West Islay Tidal (tidal).

The EMEC<sup>86</sup> 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 is the world's leading test and certification centre, attracting marine energy 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.

Scotland is leading the way in how government supports local and community ownership of renewable energy, through the Community Energy Empowerment programme. 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. Currently, there are approximately 361MW of energy in community and local ownership, with 46MW of this under direct community ownership.

The Scottish Government's CARES Local Energy Challenge Fund has allocated over £20 million in grant and loan funding to six major demonstrator projects to provide transformative innovative local energy solutions.

We are helping to cut the cost of offshore wind by at least 10 per cent through £2.2 million of investment in the Carbon Trust's Offshore Wind Accelerator Programme over 2014-15 to 2015-16. The investment will be used to encourage international collaboration between the world's leading offshore wind developers; share knowledge on design and operation of offshore wind technology; and support the commercialisation of floating offshore wind turbines for Scottish waters.

In 2013, we refocused our £18 million Marine Renewables Commercialisation Fund in response to industry calls for more tailored support for the wave industry. While most of the fund was directed at the wave power sector, part of the fund has been used to help develop the enabling technologies needed alongside the first wave and tidal arrays. Five innovative projects were successful in securing awards and are already delivering excellent results. The developers of CableFish, a tool that helps with cable installation, recently completed a successful trial of the technology at the EMEC. These innovative technologies are helping reduce the costs and risks of the first arrays.

<sup>85</sup> <http://www.saltireprize.com/>

<sup>86</sup> <http://www.emec.org.uk/>

## **Box 8: European North Sea Energy Alliance (ENSEA)**

The European North Sea Energy Alliance (ENSEA)<sup>87</sup> project is an EU-funded (FP7) Regions of Knowledge programme involving organisations from the public, business and academic energy sectors of Scotland, Norway, the Netherlands, Germany and more recently, Denmark. The Scottish 'cluster' of ENSEA partners is formed of Scottish Enterprise, Scottish Renewables, and the Energy Technology Partnership (ETP) – an alliance of 12 Scottish universities engaged in world class energy research, development and demonstration. The three-year project, which is running over 2012-15, is supported by close to €3 million of funding from the European Union.

Focusing on North Sea regions, but with the aim of sharing knowledge more widely, the ENSEA aims to:

- Promote cooperation and innovation in integrating sustainable, renewable energy into existing energy systems;
- Identify opportunities and develop collaborations for a Joint Action Plan, Joint Research Programme and research proposals;
- Increase competitiveness of research-driven energy clusters; and
- Facilitate development and sharing of knowledge.

The Alliance promotes collaborative working between regions to advance towards energy systems integration and address energy innovation challenges. Actions to achieve these goals include, for example, setting up networks of sustainable communities around the North Sea; integrating storage facilities across the North Sea energy network; and programs for academic collaboration and knowledge exchange between the various energy knowledge centres.

Since October 2012, the ENSEA regions' innovation capabilities and potential have been characterised in terms of strengths, weaknesses, opportunities and threats. A portfolio of regional energy innovation action plans has been collated and developed which has produced some 160 project ideas. The reports indicate that while energy innovation is improving and growing in all ENSEA regions, there is a need to improve the coordination of such activities around the North Sea to tackle current and future energy challenges. These issues were discussed at a mid-term conference in Norway which brought together project partners and energy experts.

The project is due to finish this Autumn and will culminate in an international conference taking place in Edinburgh on 1 and 2 September 2015. However, ENSEA aims to also act as a gateway or catalyst to generating and supporting further collaborations, projects and partnerships to further advance energy system integration, beyond 2015 – some of which are already under way.

<sup>87</sup> <http://www.ensea.biz/>

### ***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 interconnected 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 Summer of 2015.

Connecting the renewables on the Western Isles, Orkney and Shetland to the mainland transmission network is a top priority for the Scottish Government not only because of the enormous clean and affordable energy potential, but also because of the substantial opportunity for island communities to benefit. The Scottish and UK Governments jointly chair a Delivery Forum which is focused on overcoming the barriers to deployment associated with the costs and timescales of developing projects and grid links to the mainland. Significant progress was made at a meeting of the Delivery Forum earlier this year when the Secretary of State announced that DECC

would publish strike prices for a number of technologies for 2019-20 and 2020-21 in July 2015, including Scottish islands onshore wind.

### ***Skills Required for a Low Carbon Economy***

Alongside our agencies, Skills Development Scotland (SDS) and the Scottish Funding Council, we are continuing to work with industry to respond to the immediate and long-term skills needs identified by the sector. Significant progress has been made since we published the Energy Skills Investment Plan (SIP) in 2011 and we are currently refreshing the SIP to ensure that public sector investment in this area remains closely aligned with developing skills demand.

The Low Carbon Skills Fund, developed and managed by SDS, has enabled employers to up-skill and re-skill by supporting more than 3,000 training opportunities in low carbon technologies (including renewables) since 2010-11. SDS, working with partners, will continue to support skills uptake in low carbon technologies through a combination of targeted activity, such as the Low Carbon Skills Fund, and its core services for individuals and employers, including Modern Apprenticeships, Flexible Training Opportunities and Individual Learning Accounts.

## **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, cutting waste out of processes and adopting more circular behaviours (such as design for reuse and repair) 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, public sector and communities and to 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*,<sup>88</sup> published 2010, to reduce final energy consumption by 12 per cent against a 2005-07 baseline.

As highlighted previously, the most recent data, published January 2015, indicated that final energy consumption in 2012 was 11.8 per cent lower than the baseline adopted for Scotland's target. Performance against the target is reported annually.

We continue to support Scottish Futures Trust's low carbon workstream to develop financial commercial models to support investment in programmes of energy efficiency projects across the public sector estate, and where feasible enable private sector investment. Initial focus has been on LED retrofit of streetlights, district heating and non-domestic energy efficiency retrofit of buildings. Planned investment for street lighting across Scottish councils now stands at around £150 million between 2014-18.

The Scottish Government is now supporting the development of a non-domestic energy efficiency (NDEE) procurement framework for the Scottish public sector. A framework to take this forward will be published in late 2015.

### **Sustainable Housing Strategy**

*Scotland's Sustainable Housing Strategy*<sup>89</sup> 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.

Our national retrofit programme, Home Energy Efficiency Programmes for Scotland (HEEPS), is helping us 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 over half-a-billion pounds since 2009 on a raft of Fuel Poverty and Energy Efficiency programmes. In 2014-15 we have invested £94 million in domestic energy efficiency, including £79 million through HEEPS. In 2015-16 we will invest a further £114 million, helping to make homes warmer and cheaper to heat.

To improve the energy efficiency of private sector homes, we launched the Energy Efficiency Standard for Social Housing in March 2014. A working group has been set up to develop draft regulations for consultation setting minimum energy efficiency standards in private sector housing, and the groups proposals will be consulted on in Spring 2015.

### **Heat Generation Policy Statement**

The consultation on the draft Heat Generation Policy Statement closed on 9 June 2014. The document 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. It sets out the Scottish Government's policy for heat use, supply and generation and the steps being taken towards achieving their delivery.

<sup>88</sup> <http://www.gov.scot/Topics/Business-industry/Energy/Action/energy-efficiency-policy/ActionPlan>

<sup>89</sup> <http://www.gov.scot/Resource/0042/00425697.pdf>

A report<sup>90</sup> detailing the consultation analysis was published in October 2014, the responses to which will help inform and finalise the Heat Policy Statement for publication in 2015.

### ***Geothermal Energy Expert Group***

The Heat Generation Policy Statement reflected our commitment to explore alternative renewable heat technologies in Scotland, including geothermal energy. The Scottish Government convened an Expert Group in December 2014 consisting of representatives from the industry, academia, Scottish Enterprise, SEPA, the British Geological Survey and the Coal Authority. The remit of the group is to identify barriers to the development and growth of a geothermal energy industry in Scotland and to provide advice in respect of how we can help overcome these and support the evolution of the industry.

In response to one of the Expert Group's initial recommendations, the £250,000 Geothermal Energy Challenge Fund<sup>91</sup> was launched in March 2015 to support the study the capacity of Scotland's geothermal resources.

### ***Heat Mapping***

The Scottish Government launched the Scotland Heat Map in 2014, a powerful tool for local authorities enabling better strategic and local planning of heat including district heating. The Heat Map can identify potential heat projects contributing to a pipeline of local and Scotland wide projects, support the development of local investment and provide maps to support the development of local development plans. Scotland Heat Map interactive,<sup>92</sup> a web version of the map went live in June 2014, and work is ongoing to improve the Heat Map dataset.

### ***District Heating***

The growth of the district heating sector in Scotland is creating opportunities for international collaboration. In November 2014, the Scottish Government and government of Denmark signed a Memorandum of Understanding on Collaboration on District Heating and Energy Efficiency. We are also a partner in Stratego,<sup>93</sup> an Intelligent Energy Europe funded project working across 12 European countries to develop effective heating and cooling plans and build capacities to deliver district heating on the ground.

Loan finance is available from the District Heating Loan Fund, with £8 million available over the two years from 2014 to 2016. Since 2011, the fund has provided loans totalling around £7 million to 33 projects.

The Heat Network Partnership coordinates support for District Heating across a number of Scottish Government agencies and programmes. The Heat Network Partnership is a collaboration between Resource Efficient Scotland, SE, the Scottish Futures Trust and the Energy Saving Trust in Scotland to provide comprehensive support and advice to projects from strategic planning to on-the-ground delivery.

<sup>90</sup> <http://www.gov.scot/Resource/0046/00460648.pdf>

<sup>91</sup> <http://www.scottish-enterprise.com/services/attract-investment/geothermal-energy-challenge-fund/overview>

<sup>92</sup> <http://heatmap.scotland.gov.uk/>

<sup>93</sup> <http://stratego-project.eu/>



### ***Low Carbon Infrastructure Transition Programme***

In March 2015, the Scottish Government launched the Low Carbon Infrastructure Transition Programme<sup>94</sup> (LCITP), a £76 million programme supported by £33 million European Regional Development Funds to capitalise on the economic opportunities that the transition to a low carbon economy brings and to increase the level of low carbon investment and supply chain opportunities in Scotland in district heating, non-domestic and industrial energy efficiency and renewable infrastructure projects. The LCITP is a Scotland-wide, cross sector programme designed, to support the development and acceleration of low carbon infrastructure projects to investment readiness stage.

The project support offered through the programme will focus on supporting potential low carbon projects to develop investment grade business cases that will allow them to secure existing streams of capital finance. Funding is available through The Geothermal Energy Challenge Fund, the Local Energy Challenge Fund and through the European Structural Funds allocation.

### ***Resource Efficiency***

The Scottish Government created Resource Efficient Scotland in 2013 to provide practical, on-the-ground support to help businesses eliminate unnecessary waste (water, energy and materials), save money and retain a competitive edge. In its first year (2013-14), Resource Efficient Scotland delivered advice and support to over 33,000 organisations to achieve lifetime savings of around £49 million, 300,000 tCO<sub>2</sub> and 910 GWh through better resource efficiencies.<sup>95</sup>

Our Resource Efficient Scotland SME loans scheme supports this programme of activity, providing loans of up to £100,000 for the installation of resource efficiency measures and renewable energy technologies. Since inception it has successfully financed over 700 projects resulting in estimated heat and electricity energy savings of 253 GWh, carbon savings of 94,000 tCO<sub>2</sub> and financial savings of over £27 million.<sup>96</sup>

### ***Zero Waste***

Scotland has some of the UK's most ambitious recycling targets, with a target to recycle 70 per cent of Scotland's waste by 2025 and a target to cut all waste by 15 per cent by 2025. The Waste (Scotland) Regulations 2012 have brought about a transformation in recycling services to households and businesses, requiring separate collection of key materials; and Ministers have established a Scottish Materials Brokerage Service to nurture Scotland's reprocessing industry and get a better deal for councils and public bodies from their waste and recycle.

Scotland is viewed as one of the leaders in Europe and beyond on the move towards a more circular economy, and the Scottish Government is undertaking a programme of work to explore and capture the potential opportunities for Scotland. We intend to publish a Circular Economic Roadmap in 2015 to set out the specific actions to help move Scotland towards a more circular economy.

<sup>94</sup> <http://www.gov.scot/Topics/Business-Industry/Energy/Action/lowcarbon/LCITP>

<sup>95</sup> Source: Energy Savings Trust, 2015

<sup>96</sup> Source: Zero Waste Scotland, 2015

## **Box 9: Scottish Institute of Remanufacture**

A recent report<sup>97</sup> published by Zero Waste Scotland and Scottish Enterprise quantified remanufacturing as worth £1.1 billion to the Scottish economy and supporting some 179,000 jobs, with the scope to bring a further £620 million and 5,700 jobs by 2020.

Scottish Ministers have contributed £1.3 million to the establishment of a Scottish Institute of Remanufacture,<sup>98</sup> based in Glasgow, to help capitalise on these opportunities, and the centre is the first of its kind in Europe and one of only four in the world alongside New York, Singapore and Beijing.

Its central aim of increasing innovation in remanufacturing will be achieved through stimulating and co-funding collaborative projects that address industry challenges. The Institute will provide access to specialist academic expertise in areas such as automaton inspection, cleaning, process optimization, environment audit and reverse logistics. The opportunity to create additional value for companies by enabling them to increase reuse, repair and remanufacture in manufacturing operations, is a key driver in establishing this Centre.

<sup>97</sup> <http://www.zerowastescotland.org.uk/RemanufacturingReport%20>

<sup>98</sup> <http://www.strath.ac.uk/dmem/research/researchcentresandinitiatives/scottishinstituteofremanufacturing/>

## CHAPTER 5: LEARNING AND SKILLS



Scotland's people are our greatest economic asset, and *Scotland's Economic Strategy* acknowledges that at an economy-wide level, education and skills play an important role in enabling our companies to grow and be successful.

The Scottish Government shares the European Commission's ambition of improving education levels, and believes that investing in education and skills is key to driving long-term improvements in competitiveness and in creating opportunities for everyone in society to benefit from these improvements.

This chapter sets out the activities being undertaken across Scotland to equip our young people with the knowledge and skills to flourish.

### 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 and the relevant National Indicators to education are provided in Table 4.

**Table 4 – Current Scottish Performance Against Education Indicators**

Indicator	Current Level	Change Over Year	Reference Period
Proportion of 18-24 population who are early leavers from education and training <sup>99</sup>	10.9%	1.7%pts decrease in early school leavers	2013
Share of the population aged 30-34 having completed tertiary education <sup>100</sup>	52.8%	0.1%pts decrease	2013
The proportion of young people in learning, training or work <sup>101</sup>	90% of school leavers were in positive destinations	0.5%pts increase	2013-14
The proportion of graduates in positive destinations six months after graduating <sup>102</sup>	65.7%	1.3%pts increase	2012-13
The proportion of working age adults that have low or no educational qualifications (SCQF Level 4 qualifications or below) <sup>103</sup>	11.5%	1.1%pts decrease in proportion of adults with low or no educational qualifications	2014

<sup>99</sup> <http://ec.europa.eu/eurostat/web/education-and-training/data/main-tables>

<sup>100</sup> <http://ec.europa.eu/eurostat/web/education-and-training/data/main-tables>

<sup>101</sup> <http://www.gov.scot/About/Performance/scotPerforms/indicator/youngpeople>

<sup>102</sup> <http://www.gov.scot/About/Performance/scotPerforms/indicator/graduates>

<sup>103</sup> <http://www.gov.scot/About/Performance/scotPerforms/indicator/skill>

Scotland continues to perform well against each of its education indicators, as indicated in Table 4. The share of the population aged 30-34 having completed tertiary education well exceeds the Commission's target of 40 per cent; the proportion of early school leavers decreased over the year to 2012 and is close to the Commission's target of 10 per cent; educational qualifications amongst adults improved over the year to 2014; and the proportion of graduates in positive destinations increased over the year to 2012-13.

## **RAISING ATTAINMENT AND ADDRESSING INEQUALITIES OF EDUCATIONAL OUTCOME**

The Scottish Government's commitment to raising attainment has a firm foundation in all of our key policies and programmes which affect children and young people, the pillars of which are Curriculum for Excellence, Teaching Scotland's Future, Getting it Right for Every Child, the Early Years Framework, and Opportunities for All.

This approach relies on a partnership to drive forward improvement. This includes teachers, schools, pupils, parents, communities, local authorities, employers, colleges, universities and a range of other partners.

### ***Education (Scotland) Bill***

We are making a series of targeted legislative changes which we believe will help to raise attainment further. Through the Education (Scotland) Bill, introduced to Parliament on 23 March 2015, we are taking steps to:

- Strengthen rights for children;
- Improve complaints made to Ministers under existing legislation;
- Improve promotion of Gaelic medium education;

- Ensure councils have professional advice on the provision of their education functions; and
- Ensure all teachers within independent schools and grant-aided schools are registered through the General Teaching Council for Scotland.

The Bill also forms a key element of our approach to addressing the disparity in outcomes experienced by children and young people as a result of socio-economic disadvantage by placing new duties on Scottish Ministers and education authorities to narrow the attainment gap. These new duties will usefully supplement the range on non-legislative activity being taken forward to address this particular challenge.

### ***Raising Attainment for All***

Through the National 'Raising Attainment for All'<sup>104</sup> programme, steps are being taken to support local collaboration and continuous self-improvement with a view to better understanding which interventions are most effective in addressing the attainment gap which currently exists. Separately, work is underway to ensure that every local authority will have access to an attainment adviser who can support the planning and coordination of local activity based on evidence of pupil progress and achievement.

Alongside this universal activity, the Scottish Government has recently launched the Scottish Attainment Challenge,<sup>105</sup> backed by a new £100 million Attainment Scotland Fund. The Challenge, which builds on approaches such as those adopted in London and Ontario, will focus on driving improvements in literacy, numeracy and health and wellbeing, with funds initially being targeted towards those communities who face the biggest challenges in the form of poverty and deprivation.

<sup>104</sup> <http://www.gov.scot/Topics/Education/Schools/Raisingeducationalattainment/RAFA>

<sup>105</sup> <http://news.scotland.gov.uk/News/Smart-money-on-attainment-15d2.aspx>



## **Curriculum for Excellence**

Curriculum for Excellence (CfE)<sup>106</sup> 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.

Through Curriculum for Excellence, from early years onwards, teachers, parents and young people are developing a strong awareness and understanding of the range of skills needed for learning, life and work. The Developing the Young Workforce<sup>107</sup> programme will build on this foundation. It will strengthen the links between schools, colleges and employers as part of this, ensuring young people can leave school with a host of work-related skills, qualifications and experience that equip them for their next step (whether that is training, further/higher education or employment) and future economic success.

New qualifications at National 1 to National 5,<sup>108</sup> developed by the Scottish Qualifications Authority (SQA)<sup>109</sup> to support CfE, were 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**

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 2013-14, £28.2 million of funding was provided to support 34,955 young people in schools and colleges. Over a third (34 per cent) of all school pupils in Scotland received an EMA payment in 2013-14.

## **Maintaining Free Access to Higher Education**

The Scottish Government is committed to ensuring that access to higher education remains free for Scottish-domiciled students, and is investing over £1 billion in Scotland's higher education sector in 2015-16 to support this. In addition, the Scottish Government set a college funding floor of £522 million in 2013-14, and maintained it in 2014-15. The recent Scottish Budget<sup>110</sup> confirms that college funding will rise to £526 million in 2015-16.

## **Widening Access to Higher Education**

The Scottish Government is committed to widening access to higher education, and its Programme for Government<sup>111</sup> set out a clear ambition that a child born today in one of our most deprived communities will, by the time he or she leaves school, have the same chance of going to university as a child born in one of our least deprived communities.

<sup>106</sup> <http://www.educationscotland.gov.uk/learningandteaching/thecurriculum/whatiscurriculumforexcellence/>

<sup>107</sup> <http://www.gov.scot/Publications/2014/12/7750>

<sup>108</sup> <http://www.sqa.org.uk/sqa/58062.html>

<sup>109</sup> <http://www.sqa.org.uk/sqa/70972.html>

<sup>110</sup> <http://www.gov.scot/Publications/2014/10/2706>

<sup>111</sup> <http://www.gov.scot/About/Performance/programme-for-government>

The Programme for Government announced the establishment of a Commission on Widening Access<sup>112</sup> to advise on meaningful milestones, targets and activities that will assist in accelerating progress and identify where more action is required to realise our vision. This work

will build on Curriculum for Excellence and will complement existing work on school attainment and Developing the Young Workforce to identify the specific role that universities and colleges can play to widen access to higher education.

## **Box 10: ERASMUS+**

The Scottish Government is committed to increasing student and staff mobility, and promoting Scotland as a learning nation. Scotland's participation in the Erasmus+ Programme helps to raise the profile of Scotland as a place to live, work and study in key overseas markets and to showcase the best of Scottish higher education to the world.

Erasmus+<sup>113</sup> is the European Union programme for education, training, youth and sport for 2014- 20. The programme aims to boost skills and employability by bringing together institutions and organisations to foster cooperation and bridge the worlds of education and work.

Across the UK Erasmus+ is delivered by a consortium of the British Council and Ecorys. Preliminary data for 2014<sup>114</sup> showed that projects with a lead organisation based in Scotland were awarded over €12.2 million of funding through Erasmus+. The Scottish Government is working closely with the British Council and Ecorys by participating in service design and procurement for Erasmus+ in Scotland.

Under the previous higher education-only Erasmus programme, 1,441 students from Scottish HE institutions participated in Erasmus exchanges abroad in academic year 2012-13, and Scottish HE institutions welcomed 2,831 incoming Erasmus students.

<sup>112</sup> <http://news.scotland.gov.uk/News/Widening-access-1753.aspx>

<sup>113</sup> <http://erasmusplus.org.uk/about-erasmus>

<sup>114</sup> <http://erasmusplus.org.uk/statistics-0>

## ***Student Support***

The Scottish Government is committed to providing student support. The current funding package, introduced in 2013, includes annual minimum income of £7,500, through a combination of bursaries and loans, for students with a family income of less than £17,000, and a student loan of £4,750 a year which all students are eligible for part-time students with a personal income of less than £25,000 are eligible to receive a grant towards tuition fee costs.

Over the academic year 2013-14, over £730 million<sup>115</sup> of student support, covering tuition fees, grants, bursaries and authorised loans, was allocated through the Student Awards Agency for Scotland (SAAS) to 137,295 full-time higher education students. 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.

## ***Post-16 Education (Scotland) Act***

The implementation of the Post-16 Education (Scotland) Act 2013<sup>116</sup> is now generally complete. The Act has strengthened college and university governance, increasing accountability and effectiveness to improve outcomes for learners and businesses. It is supporting moves to widen access to higher education and helping to identify learners at risk of dropping out of education or training.

## ***Modern Apprenticeships***

The Scottish Government's Modern Apprenticeship (MA)<sup>117</sup> programme is designed to be responsive to employers' needs. There were 25,284 new MA starts in 2013-14, exceeding the Scottish

Government's target for the provision of 25,000 MAs per year. In the first six months of 2014-15 we funded 12,993 MA starts and there were 37,045 MAs in training as of 30 September 2014. In total, the Scottish Government has delivered over 150,000 new MA starts since 2007, and is now committed to delivering 30,000 MAs each year by 2020. Employers are highly satisfied, with 96 per cent saying that MA participants are better able to do their jobs after completing the MA programme.

## ***Adopt an Apprentice***

In addition to high levels of support for new apprentices, through the Modern Apprenticeship programme the Scottish Government has also maintained the Adopt an Apprentice initiative to give apprentices affected by redundancy the best chance of completing their apprenticeship. Employers willing to take on a redundant apprentice receive a payment of £2,000 with employers in the oil and gas industry receiving £5,000. Through this initiative we have been able to support more than 1,500 apprentices back into work.

## ***Teaching Scotland's Future***

Through the National Implementation Board, significant progress has been made towards implementing the recommendations of Teaching Scotland's Future (TSF)<sup>118</sup> – a report which was commissioned to review teacher education in Scotland, and ensure that the teaching profession had the skills necessary to successfully support the new Scottish education curriculum. For example, around 2,000 teachers have benefited from new opportunities to gain Masters qualifications over the past three years, with the support of £3 million funding from the Scottish Government.

<sup>115</sup> [http://www.saas.gov.uk/forms/statistics\\_1314.pdf](http://www.saas.gov.uk/forms/statistics_1314.pdf)

<sup>116</sup> <http://www.legislation.gov.uk/asp/2013/12/contents>

<sup>117</sup> <http://www.skillsdevelopmentscotland.co.uk/our-services/modern-apprenticeships/>

<sup>118</sup> <http://www.gov.scot/resource/doc/337626/0110852.pdf>

In April 2014, an independent Scottish College for Educational Leadership (SCEL)<sup>119</sup> was established. The College will act a centre of expertise for supporting teachers and practitioners to improve education through access to innovative leadership programmes and services. A key

early task of the SCEL is the development of a new qualification that will prepare teachers for headship. The qualification will be implemented in August 2015 and will become mandatory for new heads by 2018-19.

## **Box 11: Scotland's Schools for the Future Programme**

The current Scottish Government's school building programme, Scotland's Schools for the Future,<sup>120</sup> will see the construction or refurbishment of over 90 schools in Scotland. Funding for the programme has increased from £1.25 billion to £1.8 billion through the extension of the Scottish Government's NPD Programme in June 2014. The next phase of the investment is expected to take the total to 111 new or refurbished schools, for over 60,000 pupils, by March 2020. These schools will be built in every part of Scotland, in partnership with Local Authorities.

The Scottish Government and the Scottish Futures Trust are working in partnership with Local Authorities to develop

Programme plans and deliver projects on site as quickly as possible. As well as providing essential and innovative learning environments for Scotland's young people, the Programme is providing certainty and security for investors and Scotland's constructions sector.

To date, 18 schools have become operational under the programme (12 Primary, five Secondary and one Additional Support Needs) and are now benefitting around 9,700 pupils, with a further 18 currently under construction (four Primary, 13 Secondary and one Additional Support Needs) which will benefit up to a further 17,750 children and young people.

<sup>119</sup> <http://www.scelscotland.org.uk/>

<sup>120</sup> <http://www.scottishfuturestrust.org.uk/our-work/sft-build/schools-for-the-future/>

### ***Update on Scottish Survey of Literacy and Numeracy***

The Scottish Survey of Literacy and Numeracy (SSLN)<sup>121</sup> is a sample survey which monitors national performance in literacy and numeracy in alternate years and over time of children at P4, P7 and S2 (between ages 7-13). The survey is developed by a partnership of Scottish Government, the Scottish Qualifications Agency, Education Scotland and the Association of Directors of Education Scotland.

The second numeracy survey took place in 2013 with 69 per cent of P4, 66 per cent of P7 and 42 per cent of S2 pupils were performing well or very well at the expected levels. The second literacy survey took place in 2014, which showed that 78 per cent of P4, 88 per cent of P7 and 80 per cent of S2 pupils were performing well or very well when assessed against the relevant curriculum level for their stage.

### ***Social Enterprise in Schools***

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.

The Social Enterprise Academy has delivered the Scottish Government-funded Social Enterprise in Schools Programme since 2008, promoting awareness in primary, secondary and additional special needs schools of social enterprise as a way of doing better, more responsible business.

Since 2008, the Academy has worked with over 500 schools helping them to set up sustainable social enterprises. Around 28,000 young people have been introduced to social enterprise and 182 schools have gained awards. Teachers have reported gains in personal development, business skills, financial competence, citizenship qualities, and vocational skills in pupils.

As of 2013-14, the Scottish Qualifications Authority's new Level 4 and 5 qualifications in Business Studies (formerly Standard Grade and Higher) now includes Social Enterprise as a business model, giving pupils the opportunity to set up and research a social enterprise.

<sup>121</sup> <http://www.educationscotland.gov.uk/learningandteaching/assessment/ssl/>



## CHAPTER 6: EQUITY

6



Promoting inclusive growth is a central priority of *Scotland's Economic Strategy*. Improving equality and tackling inequalities – social, regional and inter-generational – are not only desirable outcomes and characteristics of growth, but are also essential for improving economic performance.

Ensuring that shared and sustainable growth provides the most disadvantaged areas and people in Scotland with opportunities to prosper lies at the heart of *Scotland's Economic Strategy*.

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 of Scotland. These policies and actions cover one of the European Commission's CSRs to the UK and 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 measured through the Scottish Government's National Performance Framework, which includes measures relevant to poverty and social inclusion. Scotland's current performance is presented in Table 5.

**Table 5 – Current Scottish Performance Against Poverty and Social Inclusion Indicators**

Indicator	Current Level	Change Over Year	Reference Period
Solidarity target: "Increase the proportion of income earned by the three lowest income deciles as a group by 2017." <sup>122</sup>	14.1%	0.3%pts decrease	2012-13
Reduce the proportion of individuals living in poverty <sup>123</sup> – 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).	15.7% of the population in relative poverty	2.2%pts increase	2012-13
Reduce children's deprivation National Indicator <sup>124</sup> – 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).	10.8% of children in combined material deprivation	2.2%pts increase	2012-13

<sup>122</sup> <http://www.gov.scot/About/Performance/scotPerforms/purpose/solidarity>

<sup>123</sup> <http://www.gov.scot/About/Performance/scotPerforms/indicator/poverty>

<sup>124</sup> <http://www.gov.scot/About/Performance/scotPerforms/indicator/childdeprivation>

As indicated in Table 5, the share of income earned by the lowest three income deciles has remained broadly unchanged in recent years, whilst the proportion of individuals living in poverty and the share of children living in combined material deprivation increased slightly over the year to 2012-13.

## **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.

The Scottish Government is committed to ensuring that economic growth is inclusive and is shared across all of the people and parts of Scotland. A more cohesive economy that improves the opportunities, life chances and wellbeing of every citizen in Scotland not only improves outcomes for individuals and households, but is a critical driver of economic performance over the long term. This approach – which includes investing in the early years, promoting fair work and protecting households from current economic pressures – is embedded in the foundations of *Scotland's Economic Strategy*.

## **Tackling In-work Poverty**

The Scottish Government is committed to providing a fair and inclusive jobs market. Improving job security and fair pay is essential for both reducing inequalities and improving workplace performance and productivity. The Scottish Government is protecting the pay of the lowest earners which we have direct responsibility for by committing to support the Living Wage in our public sector pay policy.

Although the Scottish Government is not able to set pay levels in the third and private sectors, or indeed the wider public sector in Scotland where employees are not covered by our pay policy, we encourage every organisation, regardless of size, sector and location to ensure all staff receive a fair level of pay.

As set out in Box 12, the Scottish Government is working with partners across Scotland to encourage fair pay and reduce in-work poverty.

## **Box 12: Supporting the Living Wage**

The Living Wage is an independently calculated hourly rate of pay based on the basic cost of living in the UK. The current Living Wage rate is £7.85 per hour. The Scottish Government fully supports the Living Wage Campaign and recognises the real difference that fair pay makes in both reducing inequalities and improving productivity.

As part of our Programme for Government 2014-15 we are providing £200,000 additional funding to the Poverty Alliance to promote the take-up of the Living Wage Accreditation Scheme in Scotland. We are committed to increasing the number of employers paying the Living Wage across all sectors in Scotland, and we set a target of at least 150 accredited employers by the end of 2015.

On 25 March 2015, the identity of the 150th Scots-based Living Wage Accredited Employer was announced. This marked the achievement of our target eight months ahead of schedule. A new target of 500 Scots-based Living Wage Accredited Employers by the end of March 2016 has now been set and we are working with the Poverty Alliance to achieve this.

We will host a Living Wage Summit in June this year which will provide an opportunity for key business leaders to develop an approach to promote the Living Wage throughout the private sector. It will provide a forum for open and honest discussion which will explore both the success experienced to date, including the lessons which can be learned from, and the challenges which lie ahead.

## ***Implementing the Shift Towards Prevention***

The Christie Commission on the Future Delivery of Public Services<sup>125</sup> identified a need to target the underlying causes of deprivation and low aspiration in Scotland. Making a decisive shift towards prevention continues to be the cornerstone of our comprehensive cross-sector programme of public service reform, which involves shifting the balance of public services away from short-term crisis interventions and towards early action. Preventative approaches build the assets of individuals and communities by creating the conditions that build relationships, social capital and capacity. Making the shift to prevention requires a national collective endeavour, bringing the capacities and resources of public, third and private sector partners together with communities to deliver shared outcomes that really matter to local people.

The Scottish Government has invested more than £500 million in three Change Funds between 2012-13 to 2014-15 to support a decisive shift towards prevention across mainstream service provision and strengthen our approach to addressing inequalities. The Scottish Government has set out its plans to continue this focus on prevention over 2015-16, by making £100 million available to support the delivery of improved outcomes from health and social care integration; making over £70 million available through the central integration fund within NHSScotland to drive progress; and investing £8.5 million of transitional funding to improve outcomes for Scotland's most vulnerable children.

<sup>125</sup> <http://www.scotland.gov.uk/Publications/2011/06/27154527/0>

## Community Planning Partnerships

Community Planning Partnerships (CPPs)<sup>126</sup> 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. CPP structures and operational arrangements vary considerably, depending on the size and geography of the council area, socio-demographic factors, the local economy and local political priorities.

Each CPP has a Single Outcome Agreement (SOA) which set outs its ambitions for communities in their area. Ministers and Council Leaders signed off CPPs' latest SOAs in Summer 2013, which have a particular focus on prevention and reducing inequalities on locally identified priorities.

## Early Years

The Early Years Collaborative (EYC)<sup>127</sup> 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 high level principles set out in the Getting it Right for Every Child programme and the Early Years Framework<sup>128</sup> into practical action, with the aim of:

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

All 32 CPPs from across Scotland are engaged in the EYC. There are 31 pioneer sites leading the improvement work around areas such as early support for pregnancy and beyond, child poverty, 27-30 month child health reviews and developing parenting skills.

## EARLY LEARNING AND CHILDCARE

As part of its CSRs to the UK, the European Commission recommended that action is taken to improve the availability of affordable quality childcare. 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 reduces a significant barrier to participation in the labour market faced by parents, particularly women.

## Expanding the Provision of Childcare

Through the Children and Young People (Scotland) Act,<sup>129</sup> the Scottish Government is investing £329 million over the next two years to expand early learning and childcare to 600 hours per annum for 3 and 4 year olds; and in August 2014, we expanded this to the most vulnerable

<sup>126</sup> <http://www.gov.scot/Topics/Government/PublicServiceReform/CP>

<sup>127</sup> <http://www.gov.scot/Topics/People/Young-People/early-years/early-years-collaborative>

<sup>128</sup> <http://www.gov.scot/Resource/Doc/257007/0076309.pdf>

<sup>129</sup> <http://www.legislation.gov.uk/asp/2014/8/contents/enacted>



15 per cent of 2 year olds.<sup>130</sup> These measures will be expanded to 27 per cent of 2 year olds based on free school meal eligibility from August 2015. As part of the Programme for Government 2014-15, the Scottish Government is committed to expanding the level of funded early learning and childcare from 16 to 30 hours per week by the end of the next Parliament.

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.

### **Free School Meals**

To further support families with young children, the Children and Young People (Scotland) Act 2014 contained provisions that will expand the provision of free school meals for the youngest school children in Scotland. £70.5 million revenue funding has been committed over 2015 to 2017 to provide all Primary 1 to Primary 3 children in Scotland with free school meals. The measure was implemented in January 2015, and is expected to benefit around 135,000 children.

### **Getting it Right for Every Child**

Getting it Right for Every Child<sup>131</sup> is the national approach to improving the wellbeing of children and young people. Through policy and the delivery of services at both national and local level, the GIRFEC approach puts the child at the heart of the decision-making process to improve the wellbeing of every child.

The Children and Young People (Scotland) Act 2014 is rooted in the GIRFEC approach, and puts a number of key initiatives into statute, including the Named Person and the single Child's Plan. A Named Person will be made available for every child from birth until they are 18 or leave school, whichever is later. The Named Person is the first point of contact for families if they need advice and support, or for anyone with concerns about the child's wellbeing. It is planned that the GIRFEC provisions of the Act will commence in August 2016.

## **TACKLING CHILD POVERTY AND SUPPORTING VULNERABLE PEOPLE**

In its CSRs to the UK, the European Commission continues to place significant importance on the need to reduce child poverty in the UK. The Scottish Government's approach to tackling poverty is underpinned by our 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.

### **Child Poverty Strategy**

In March 2014 the Scottish Government published a refreshed Child Poverty Strategy<sup>132</sup> for Scotland. It confirms Ministers' approach to tackling child poverty with three key outcomes:

- Maximising household resources;
- Improving children's wellbeing and life chances; and
- Developing well-designed, sustainable places for children from low-income households to live.

<sup>130</sup> 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

<sup>131</sup> <http://www.gov.scot/Resource/0045/00458341.pdf>

<sup>132</sup> <http://www.gov.scot/Publications/2014/03/5304>

The document sets out an outcomes framework which links key activities, through intermediate outcomes, to the high-level outcomes. The third *Child Poverty Strategy Annual Report*<sup>133</sup> was laid in Scottish Parliament in August 2014 and highlighted a range of actions the Scottish Government and others had taken over the previous year. In the 2014 Annual Report on the strategy, an outcomes framework has been developed further as a measurement framework that includes the publication of baseline data. The data presented provides an overview of the current position on key outcomes, against which progress in tackling child poverty across Scotland will be measured in future annual reports.

### **Ministerial Advisory Group on Child Poverty**

The Ministerial Advisory Group on Child Poverty is tasked with providing Scottish Ministers with advice on priorities and actions relating to Child Poverty. The group act as the advisory body for the revised Child Poverty Strategy. 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 Child Poverty Strategy and the Early Years Framework.

### **Homelessness**

In Scotland, from 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 focus on preventing homelessness happening 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 9 per cent reduction in households being assessed as homeless between 2012-13 and 2013-14 and we are now monitoring the activity of local authorities on prevention.

### **Scottish Welfare Fund**

The Scottish Welfare Fund was established in April 2013 to provide grants which can act as a safety net in an emergency when there is a threat to health and safety, or enable independent living, preventing the need for care. The fund, valued at £33 million per annum, has been developed by the Scottish Government and COSLA, and is being delivered by local authorities to allow for integration with other local public and third sector support services.

From April 2013 to December 2014, grants amounting to around £56 million were made through the fund to support over 135,000 households in Scotland. The funding is reaching those in the most deprived areas of Scotland; around 50 per cent of funding to date has been awarded to applicants living in the 20 per cent most deprived areas in Scotland.

### **Welfare Funds (Scotland) Act 2015**

The Welfare Funds (Scotland) Act 2015<sup>134</sup> received royal assent on 8 April 2015. The Act will place a duty on each Local Authority to permanently maintain a welfare fund. The Act sets out a high-level framework for the delivery of permanent welfare funds, with the details of the scheme set out through regulations and guidance. Permanent welfare fund arrangements in Local Authorities are planned to be in place by April 2016.

<sup>133</sup> <http://www.gov.scot/Resource/0045/00457305.pdf>

<sup>134</sup> [http://www.legislation.gov.uk/asp/2015/5/pdfs/asp\\_20150005\\_en.pdf](http://www.legislation.gov.uk/asp/2015/5/pdfs/asp_20150005_en.pdf)

## MAXIMISING THE POTENTIAL OF ALL AREAS

As set out in the SES 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,<sup>135</sup> 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 coordinated approach across the public, private and third sector, alongside community-led action.

The Regeneration Strategy highlights the importance of taking an integrated 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 Communities Fund.<sup>136</sup>

The Fund is aimed at supporting community-led regeneration which delivers a number and variety of community led projects – 156 since the fund was launched. From 2015-16 the Fund has been increased from £9.4 million to £15 million, benefiting from additional funding from the £10 million Empowering Communities Fund, to tackle poverty and inequalities in Scottish communities. The Capital Investment Fund, worth £150 million over three years, includes the Scottish Partnership for Regeneration in Urban Centres (SPRUCE), a £50 million investment fund, which has now agreed funding of more than £41 million for five projects, supporting new business space

for small to medium sized enterprises; two BREEAM 'A' office developments; a remediation project which will enable a further development incorporating office, retail and hotel elements and most recently a green energy centre. All five projects will support jobs, apprenticeship and training opportunities as well as boosting community benefits in the local area. The £25 million per annum Regeneration Capital Grant Fund has been developed in partnership with COSLA. To date, 40 projects have been approved which will help to deliver large-scale improvements to deprived areas. The focus is on projects that engage and involve local communities and those that can demonstrate the ability to deliver sustainable regeneration outcomes.

### *Community Empowerment (Scotland) Bill*

The Community Empowerment (Scotland) Bill<sup>137</sup> forms part of the Scottish Government's response to the recommendations of the Christie Commission into the future of public services in Scotland. The 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 them. This includes provisions which will strengthen community planning; giving a statutory basis for the first time to CPPs, so that partner bodies work with each other in CPPs and with local communities to improve local outcomes and reduce outcome inequalities in the area.

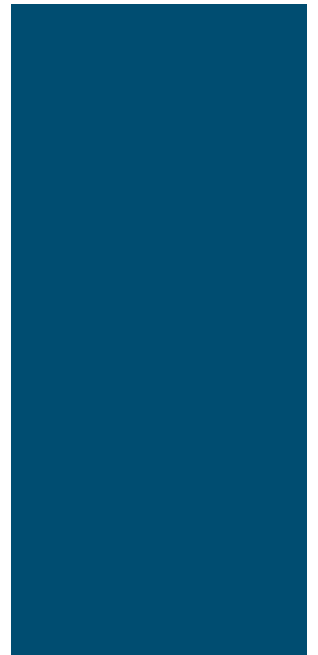
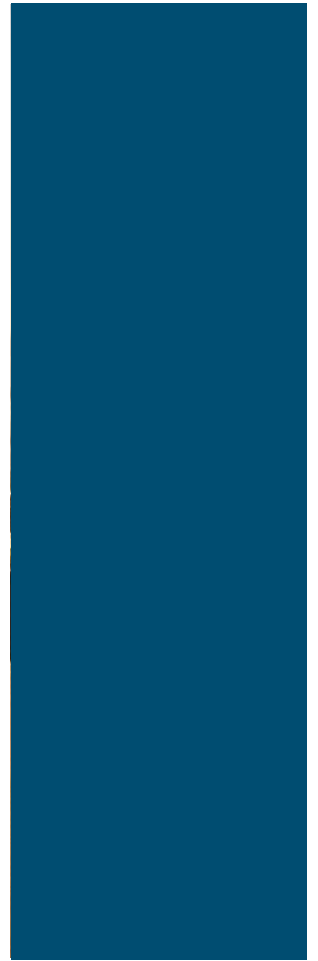
The Bill is progressing through Parliament and has recently completed Stage 2. The Bill is expected to be passed by Parliament in May 2015.

<sup>135</sup> <http://www.scotland.gov.uk/Publications/2011/12/09110320/0>

<sup>136</sup> <http://www.gov.scot/Topics/Built-Environment/regeneration/community/pcf>

<sup>137</sup> <http://www.gov.scot/Topics/People/engage>

## CHAPTER 7: NEXT STEPS



*Scotland's Economic Strategy* provides the over-arching framework for delivering the Scottish Government's central 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"*

All parts of Scotland have an important role to play in delivering our Purpose and achieving the vision of Europe 2020 – including the public sector, businesses, trade unions, the third sector and our communities. Working constructively and cooperatively with all of our partners in Scotland and in Europe is essential for achieving these goals.

The Scottish Government is strongly supportive of the ambitions of Europe 2020. As this National Reform Programme highlights, Scotland plays a distinctive role in developments at both the National and European level across a number of policy areas, which contribute to delivering growth that is smarter, more sustainable and more inclusive.

Below we have set out an overview of the next steps for Scotland's engagement in Europe 2020.

### ***In the European Union***

As outlined in Box 1, the Scottish Government engaged fully in the mid-term review of Europe 2020, and we will continue to engage with the EU in the development of the Europe 2020 strategy. The Scottish Government is committed to working closely and constructively with the EU in pursuit of the Europe 2020 ambitions, as outlined in *Scotland's Action Plan for EU Engagement*.

The Scottish NRP 2015 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 officials of the European Commission throughout the European Semester process.

### ***In Scotland***

Stakeholder engagement is essential to the Scottish Government's policy development process. This NRP has been produced with valuable input from a range of stakeholders from the public, private and third sectors in Scotland.

A stakeholder event was held in Edinburgh on 12 March 2015, which provided the opportunity for a range of stakeholders to learn about Europe 2020 and the European Semester, as well as to contribute to Scotland's NRP 2015.

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 Country-Specific Recommendations made on the basis of the National Reform Programmes, as well as contributing to the UK's annual National Reform Programme.

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.



## Scotland's Action Plan for EU Engagement

Scotland's refreshed Action Plan for EU Engagement,<sup>138</sup> launched on 27 March 2015, sets out our aims for broader engagement in the EU to our mutual benefit. The Action Plan, which will be the central pillar of the Scottish Government's activity in Europe, forms part of the Scottish Government's new International Framework, which has the EU at its core.

The launch of the Action Plan builds on *Scotland's Economic Strategy*. The refreshed Action Plan has four key policy objectives:

- Committed Partner – We will remain a committed European actor, making the case for our place in Europe, and working to enhance Scotland's voice within the EU;
- EU Reform – We will promote effective and meaningful EU reform within the framework of the existing EU treaties for the benefit of Scotland and the entire territory of the EU;
- Active Participation – We will work to secure investment, innovation and inclusive growth to support the delivery of *Scotland's Economic Strategy*; and
- Strengthening Partnerships – We will strengthen our relationships with European partners to develop and deliver mutually beneficial outcomes, policies and programmes in pursuit of our objectives.

The digitalisation of the Action Plan will enable the Scottish Government to work more closely with its partners on the Action Plan's implementation, and on regularly updating it with our activities and work in Europe.

## European Funding

European Funding plays an important role in unlocking development and stimulating economic growth in Scotland. These funds have played, and continue to play a crucial role in supporting sustainable economic growth in Scotland by supporting infrastructure investment, improving business support and providing training and job opportunities.

To support the achievement of the Europe 2020 ambitions, these funds have been refocused on both supporting immediate issues which hold back development such as youth unemployment; but also on creating the longterm conditions for growth that is smarter, more sustainable and more inclusive.

In order to deliver the step change needed to address the long-term challenges to growth, we are moving away from the use of small and separate grant-funded projects, in favour of larger-scale programmes.

Over 2014-20 European Structural Funds will be delivered through Strategic Interventions – programmes of work of significant scale and defined scope which will align with and help shift the focus on domestic policy. These strategic interventions will be managed and co-financed by Lead Partners, typically the existing organisations and legal vehicles which already manage domestic funding in the same policy area. This strategy means that Scotland will be able to use EU funding to align with and gradually shift domestic funding towards new and transformational policy development, which might otherwise struggle for funding.

<sup>138</sup> <http://www.gov.scot/Resource/0047/00473826.pdf>

For example, there are major policy shifts taking place in Scotland around aligning business and innovation support and around vocational training, and in both cases, Structural Funds can act as a catalyst, helping positive changes take place more quickly. Within these Strategic Interventions, there will be a key role for the third sector, including community organisations and social enterprises, in the delivery of objectives and results.

The Scottish European Structural Funds Programmes for 2014-20 were formally approved by the European Commission in December 2014.

The €1.9 billion funding package (European Structural Funds and match funding) has been developed around the European Commission's Europe 2020 strategy for achieving long-term economic growth and job creation by focusing on three strategic growth areas – Smart Growth, Sustainable Growth and Inclusive Growth.

- Smart: developing an economy based on knowledge and innovation;
- Sustainable: promoting a more resource efficient, greener and more competitive economy; and
- Inclusive: fostering a high employment economy delivering social and territorial cohesion.

The three strategic themes apply across all Member States and in Scotland they complement the priorities of Scotland's Economic Strategy, which sets out our approach to creating opportunities for all of Scotland to flourish, through delivering sustainable economic growth.

The investment of European Structural Funds locally and nationally will enable us to translate the themes of Smart Growth into activities to grow Scotland's economy through increased knowledge and innovation, and on the shared ambition of improving education levels and skills development.

On Sustainable Growth the Scottish Government is already working on the transition to a low carbon economy. The drive provided by the European Commission will increase momentum in this area.

And on Inclusive Growth the Scottish Government is committed to improving employment opportunities and reducing poverty. The common purpose with which the Scottish Government will administer the 2014-20 funds programme represents a strengthening both of the relationships we have with our European neighbours and of Scotland's increasingly prominent and important place in Europe.

## 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 *Scotland's Economic Strategy*, and the recent launch of our Action Plan for EU Engagement.

This NRP has set out the distinct actions being undertaken in Scotland in support of the delivery of the 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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