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EUROPE 2020:  
SCOTTISH NATIONAL  
REFORM PROGRAMME 2012

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The Scottish  
Government

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# FOREWORD



The Scottish Government has as its core Purpose the aim of making Scotland a more successful country with opportunities for all to flourish through increasing sustainable economic growth. This Purpose – to which all our efforts and actions are directed – is fully aligned with Europe 2020 and the aim of promoting smart, sustainable and inclusive growth. I welcome the opportunity to set out the steps that Scotland is taking to deliver this agenda.

Global economic conditions remain challenging, and the recovery across Europe and beyond has been slower than we had imagined or wished. As an open economy, Scotland has not been immune from these global pressures.

It was in the light of the continuing fragile global recovery that we took the opportunity to update our *Government Economic Strategy* in September of last year. The Strategy identifies our Priorities for delivering sustainable

economic growth, driving recovery, boosting employment and tackling inequality. The distinct actions we have taken over the last four years have helped ensure that Scotland can reflect on a recession that, whilst deeply damaging, has been shorter and shallower than in the UK as a whole.

We share President Barroso's concern about youth unemployment and are committed to doing everything within our powers to support Scotland's young people. Through Opportunities for All, launched in April 2012, we will ensure that every 16-19 year old not already in work, education or training is offered a learning or training opportunity.

We are also supporting a record 25,000 Modern Apprenticeships in each of the five years of the current Parliament – an increase of 60% on the levels we inherited in 2007. In addition, a dedicated Minister for Youth Employment role has now been established with an additional £30 million

budget to help Scotland's young people into training, work or education. One of the first actions of the new Minister was to launch our draft Youth Employment Strategy in January of this year.

Whilst the global economic downturn has created a range of challenges, there are also exciting new opportunities for Scotland and Europe as the global economy recovers. Therefore, while our *Government Economic Strategy* recognises the need for continued action to secure the recovery in the short-term, we are also focusing our efforts toward establishing the best possible environment for boosting long-term sustainable economic growth.

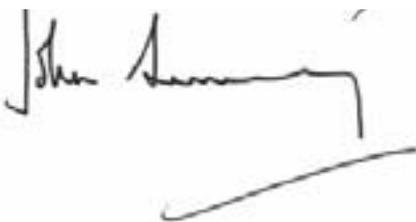
For example, the transition to a low carbon economy presents an excellent economic opportunity for Scotland and the EU. With our massive natural resources potential – including 25% of Europe's wind power – and a legacy of industrial excellence, innovation in our university sector and expertise in industries such as oil and gas, Scotland is well placed to help Europe deliver on its climate change targets and lead the global development of the industries of the future.

As an innovative and outward-looking nation we are focused on growing our international presence, boosting

exports and attracting new investment. Improving our access to growth markets – both in Europe and beyond – will open up Scottish exports to new customers. We are committed to exploring opportunities for trade across the EU, particularly with new members of the EU where our trade links are just beginning to blossom.

Europe is already a key partner in Scotland's economic success. Around 45% of Scottish overseas exports are to the EU – a trade worth almost £10 billion to our economy. We are committed to engaging positively with EU institutions in order to fully represent Scottish interests, to highlight particular Scottish strengths and share the wealth of experience and resources Scotland has to offer our European partners.

This distinct Scottish National Reform Programme provides a vital opportunity to highlight both the unique approach being pursued in Scotland and how these actions are aligned with the ambitions of Europe 2020. This alignment is testament to our shared values. At its heart, this is about people and their prospects. By working together, we can best tackle the key challenges of growth and inequality in both Scotland and Europe, and help deliver a successful future for all.



**JOHN SWINNEY MSP**

Cabinet Secretary for Finance, Employment and Sustainable Growth

# INTRODUCTION

Global economic conditions remain challenging, and strong and sustained levels of growth will be a key factor in improving prosperity across Europe. It was in response to these challenges that the European Union introduced Europe 2020 at the June 2010 European Council. The Strategy is designed to help Europe emerge stronger from the economic downturn as a smart, sustainable and inclusive economy. By unlocking Europe's growth potential the Strategy is aimed at delivering higher levels of employment, productivity and social cohesion.

The Scottish Government is strongly supportive of Europe 2020 and there is a significant degree of commonality with the ambitions and priorities set out in our own *Government Economic Strategy*<sup>1</sup>. At the heart of both Strategies is a focus on accelerating recovery and securing sustainable economic growth through actions including: supporting young people to enter the labour market; supporting the transition to a low carbon economy; improving skill levels; boosting Research & Development and promoting innovation; creating a supportive business environment; reaping the benefits from the digital

age; and ensuring that sustainable growth provides opportunities for the most disadvantaged areas and people in society to prosper.

Through the National Reform Programmes (NRPs), EU member states report each year on their own structural reform plans and the progress being made toward the ambitions of Europe 2020.

As part of this, the Scottish Government has contributed to the development of the UK National Reform Programme, which will also be published at the end of April.

However, to help provide the Commission with more detail on the unique characteristics of Scotland and the distinct approach we are taking forward within the UK, we have produced our own Scottish National Reform Programme (NRP). This follows our approach in 2011 where we published a unique Scottish NRP<sup>2</sup>, which was welcomed by stakeholders.

This 2012 NRP builds on the 2011 report and demonstrates our commitment to engage positively with EU institutions to fully represent

<sup>1</sup> <http://www.scotland.gov.uk/Topics/Economy/EconomicStrategy>

<sup>2</sup> <http://www.scotland.gov.uk/Publications/2011/03/28102812/0>

Scottish interests and highlight particular Scottish strengths to our European partners. It sets out the actions that we are undertaking in support of the delivery of the five EU headline targets set out in Europe 2020. In particular, we have set this report within the context of the refreshed *Government Economic Strategy*, and our updated National Performance Framework. We have used case studies to bring colour to the report and to highlight particular Scottish strengths.

In the next round of European Funding (covering the period 2014-2020) the European Commission is drawing closer alignment between the allocation of European Funds and the objectives in Europe 2020. European Funds such as Structural Funds, the European Agricultural Fund for Rural Development, and the European Fisheries Fund play and will continue to play, a crucial role in delivering sustainable growth and accelerating recovery in Scotland. In the light of this the Scottish NRP takes the opportunity to highlight how European Funds are currently being used across Scotland in order to support the delivery of the ambitions in the *Government Economic Strategy* and Europe 2020.

As set out in the Scottish NRP 2011 the Scottish Government will continue to take a similar approach to the UK Government on the EU headline targets set out in Europe 2020. The Scottish Government does not intend to set additional specific targets, but will monitor progress against the EU headline targets and make this

available on our website. This is in line with the transparent approach the Scottish Government has taken since 2007 through Scotland Performs<sup>3</sup>, which already covers the policy areas subject to EU headline targets.

Europe 2020 cannot be delivered from the top down. Stakeholder engagement is a vital element of the general development of policy in Scotland, and formed an important contribution to the development of the Scottish NRP 2012. The Scottish Government has followed a proactive approach to working with stakeholders to ensure that this report reflects the wide range of actions being taken forward across the public sector, including in local government and the third sector. A stakeholder event was held in Edinburgh on 17 February 2012 to seek the input of stakeholders to the development of this report.

The remainder of this document focuses on:

- Economic Challenges and Opportunities, and the Scottish Government's approach to accelerating recovery, delivering sustainable economic growth, and measuring performance; and
- Actions which support delivery of the Europe 2020 ambitions. For each of the five headline targets set out in the Strategy – covering Employment; Innovation and R&D; Climate Change; Education; and Poverty – there is a chapter providing an overview of the actions being pursued across Scotland.

<sup>3</sup> <http://www.scotland.gov.uk/About/scotPerforms>

# ECONOMIC CHALLENGES AND OPPORTUNITIES

## A FRAMEWORK FOR SUSTAINABLE ECONOMIC GROWTH

The *Government Economic Strategy* sets the overarching economic framework which will deliver the Scottish Government's Purpose: *to focus the Government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.*

In the light of the marked changes in economic conditions since 2007, and following the deepest global recession in over 50 years, the Scottish Government took the opportunity to refresh the *Government Economic Strategy* (GES), in September 2011. This refresh built upon the Scottish Government's original *Government Economic Strategy* (published in 2007) and the series of Economic Recovery Plans which helped to mobilise resources at the height of the global financial crisis and during the worldwide recession.

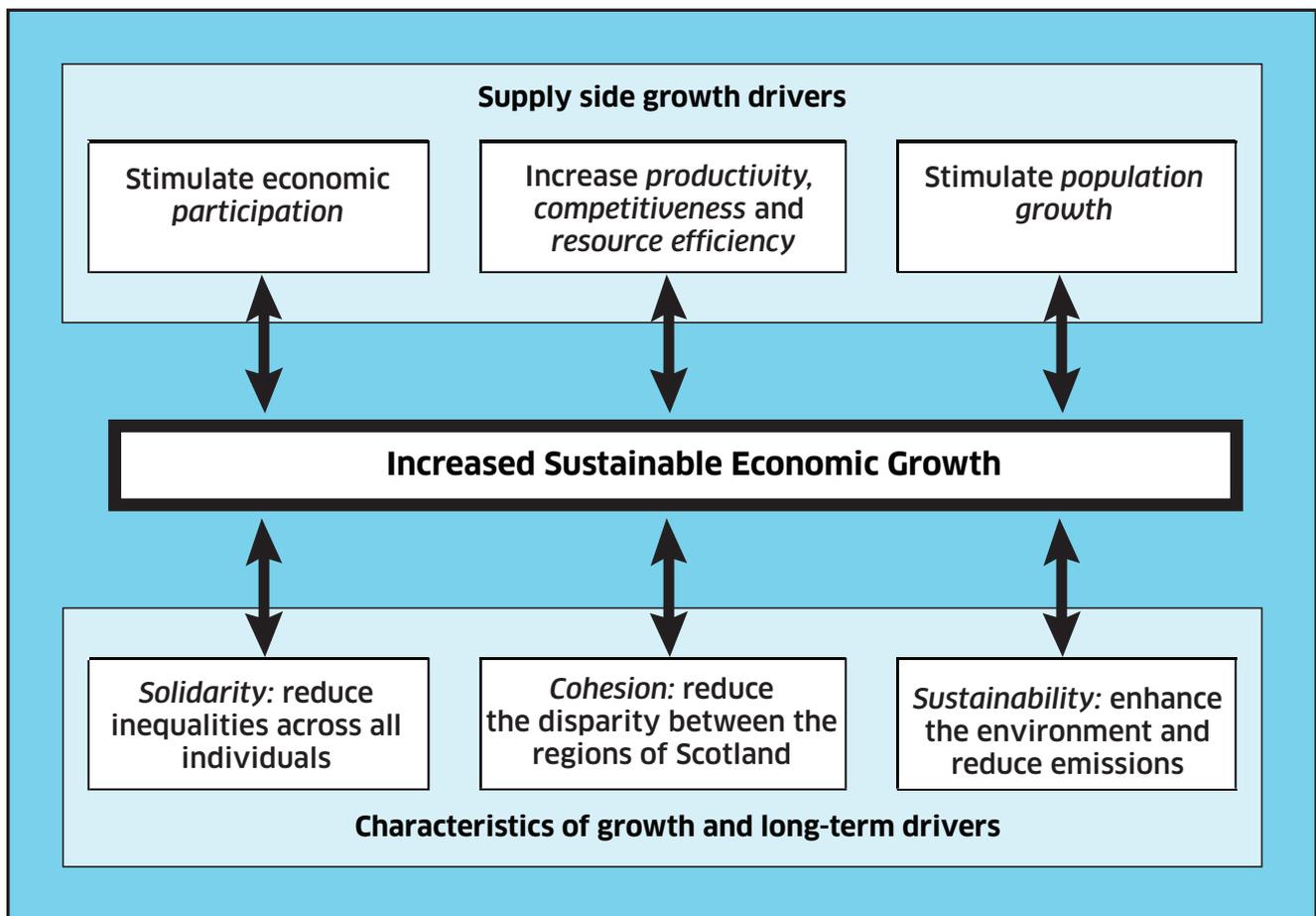
Whilst the economic downturn has created a range of challenges, in particular in the labour market and in business, there are also exciting new opportunities for Scotland. The *Government Economic Strategy* identifies

the transition to a low carbon economy and the significant opportunities from emerging international markets, as examples of areas that offer potential growth opportunities for Scotland in the years ahead.

As set out in **Figure 1**, the Strategy identifies the key components of

faster sustainable economic growth – **Productivity**, Competitiveness and Resource Efficiency, **Participation** in the Labour Market and **Population Growth** – and our desired characteristics of growth – **Solidarity**, **Cohesion**, and **Sustainability**. These drivers and characteristics are underpinned by a set of ambitious targets.

**Figure 1:** The Purpose Framework



## The National Performance Framework

The National Performance Framework (NPF) provides a clear vision for the kind of Scotland we want to see, and supports the delivery of the Scottish Government's Purpose and priorities (as set out in **Figure 2**). The NPF, which was refreshed in December 2011, captures a wide range of economic, social and environmental indicators which cover the target areas identified in Europe 2020 such as the low carbon economy and poverty. Progress against the priorities set out in Europe 2020 is therefore fully captured through the NPF's seven Purpose Targets and 50 National Indicators.

Delivery of the Purpose and National Outcomes is monitored through tracking progress on the Purpose Targets and National Indicators on the Scotland Performs<sup>4</sup> website – the Scottish Government's online reporting tool.

**Figure 2:** The National Performance Framework



<sup>4</sup> <http://www.scotland.gov.uk/About/scotPerforms>

## Strategic Priorities for Delivering Sustainable Economic Growth

The *Government Economic Strategy* has identified six Strategic Priorities to deliver sustainable economic growth, secure the recovery and boost employment. Our policies and resources are aligned towards these priorities in order to deliver increased sustainable growth, with opportunities for all to flourish.

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

### Strategic Priorities for Delivering Sustainable Economic Growth

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

## Accelerating Economic Recovery

The performance of the world economy in 2011 was more subdued than many had forecast at the start of the year, and a sustained recovery has yet to take hold. This reflects the continued uncertainty relating to the Eurozone sovereign debt crisis, ongoing volatility in commodity prices, and the persistence of increased unemployment across advanced economies which has acted to dampen demand. As a result we are yet to witness a sustained global recovery

from the 2008 financial crisis. While there have been some tentative signs of greater stability in the macroeconomic environment in the first quarter of 2012, the recovery clearly remains fragile.

As an open economy, Scotland has not been immune from these impacts and the Scottish Government is taking forward a range of actions to accelerate recovery and support output and employment. The actions being taken are consistent with the principles of the *Government Economic Strategy*, with a particular focus upon:

- boosting public sector capital investment through a pipeline of £2.5 billion revenue financed investment; implementing innovative financing measures, and through switching money from resource to capital budgets;
- improving access to finance and encouraging new private investment;
- enhancing economic security to support confidence across the Scottish economy; and
- taking direct action to tackle unemployment, in particular youth unemployment.

## European Funding

Scotland receives significant levels of European Funding to support smart, sustainable and inclusive growth. For the period 2007-13 Scotland has been allocated approximately £1.3 billion from a number of funds – the European

Social Fund (ESF), the European Regional Development Fund (ERDF), the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF). This funding is being used to support activities across Scotland, from regenerating urban inner city areas to helping secure a sustainable future for our rural and coastal communities.

To date these European funds have supported over 1,350 projects, assisted over 28,000 businesses, created or safeguarded 32,700 jobs and provided training and support to over 248,000 individuals.

In response to the economic downturn we worked to develop a more flexible approach, in conjunction with the Commission, to deliver strategic projects that supported our *Economic Recovery Plan*<sup>5</sup>. For example we launched the Priority 5 Skills Pipeline using the European Social Fund to promote an integrated approach to employability at local authority level. We also launched the Scottish Low Carbon Investment Fund using the European Regional Development Fund to support projects contributing to carbon reductions now or in the future. Our actions helped provide much needed support to the Scottish economy at the height of the downturn.

We welcome the Commission's approach to closer integration between ESF, ERDF, EAFRD and EFF funds and further alignment with Europe 2020 objectives in future programmes. We are already

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<sup>5</sup> <http://www.scotland.gov.uk/Publications/2011/02/24095442/0>

working on how to integrate the funds, building on the proposed Common Strategic Framework to secure benefits at both a policy and practical level. By integrating the funds under the 11 common thematic objectives we aim to ensure that all four funds work together at a local, regional and national level to support Europe 2020 objectives and Scottish Government priorities – in a way that is more transparent and less bureaucratic for beneficiaries.

### **Community Planning Partnerships**

Community Planning Partnerships (CPPs) provide a vehicle for ensuring that European Funding is coordinated at a local, regional, and national level. The aims of CPPs are to ensure that organisations work together to provide better public services and that people are more engaged in the public service decisions which affect them. These principles of partnership working and localism underpin the Single Outcome Agreement (SOA) approach which the Scottish Government introduced in 2008. The Agreements reflect local needs and priorities and set out how the partnership is taking these issues forward. The CPPs are expected to consider all 16 National Outcomes – as set out in the National Performance Framework – when developing their SOAs, focusing on the key areas of inequality and economic growth.

A review of Community Planning was announced in January 2012 aimed at enabling CPPs to respond effectively to the Public Service Reform programme currently underway. The review was jointly chaired by Derek Mackay MSP,

Minister for Local Government and Planning and Pat Watters, President of COSLA (the Convention of Scottish Local Authorities, which is the representative voice of Scottish local government). The Review has produced a Statement of Ambition which sets out a vision and core principles for Community Planning. Work to produce detailed proposals for change based on the Statement of Ambition is currently being planned, and will be taken forward after the local government elections in May.

### **Access to Finance**

Access to affordable finance is vital to ensure that viable businesses are able to grow and support employment; and to facilitate greater levels of investment in the economy. However, access to finance remains an issue, particularly for Small and Medium-sized enterprises (SMEs) which play a vital role in Scotland's economic success. As at March 2011, there were 305,540 SMEs (0-249 employees) in Scotland (up 3.3% from March 2010). SMEs represented 99.3% of all enterprises and accounted for 53.6% of employment and 36.5% of turnover.

The Scottish Government is committed to continuing to monitor credit conditions in Scotland through its own survey on SME access to finance. This survey fills an important gap in the evidence base for credit conditions in Scotland. The latest *SME Access to Finance Survey*, the third report in the series (published in March 2011), surveyed 1,004 SMEs in November 2010. There was evidence of some improvement in credit conditions for firms which were renewing existing

credit facilities with fewer businesses experiencing problems than in 2009. However, the reduction in the supply of new lending remains a critical issue particularly in terms of firms being able to access new finance for investment and growth which will be key to economic recovery. A fourth Access to Finance Survey will be published in early Summer 2012.

Although Scotland is limited in its powers in this area, particularly with regard to bank finance, the Scottish Government remains committed to encouraging lenders to increase the supply of affordable finance to support the financing needs of viable Scottish businesses with good prospects.

### **The Scottish Investment Bank**

The Scottish Investment Bank (SIB), formed in December 2010, is delivering existing early stage equity schemes and a new loan fund, supported by the European Regional Development Fund (ERDF), aimed at innovative technology-based companies and established growth and exporting companies. The three equity funds it delivers operate on a fully commercial basis with private sector partners leading on investment and the public sector contribution invested in the same commercial terms. The successful co-investment model introduced in Scotland has been replicated in several countries – England, Wales, Sweden, New Zealand and Canada. In 2010-11 the SIB invested £23 million in 109 Scottish companies and leveraged £53.7 million of private sector investment.

## **Improving Access to Finance through European Structural Funds**

European Structural Funds provide an important tool for encouraging investment and improving access to finance. For example European (and other public) funds can be used to leverage private sector investment and address known market failures.

The Scottish Co-investment Fund (SCF) was introduced in 2003 to address the early stage equity gap and to help develop and professionalise the angel investment market. It received substantial European Regional Development Fund (ERDF) support under previous Structural Fund Programmes and was originally resourced with £47m (£27m ERDF). In 2008 the Fund was re-capitalised with £72m, including £29m ERDF.

It operates on the basis that the Fund co-invests on equal terms alongside private sector partners who source the deals and make the investment decisions. As well as increasing levels of deal activity in the market, the Fund also stimulates the number of active individual investors. SCF is consistently cited as an exemplar by the European Commission and more recently by the European Investment Fund and the OECD.

As at February 2012, the Fund has invested in 184 companies with SCF investing £78.2m out of the total £227.5m (private sector partners invested £100.3m with a further leverage of £49m). Since the Fund's inception the number of angel syndicates in Scotland has grown from two to twenty.

# PARTICIPATION IN THE LABOUR MARKET

The *Government Economic Strategy* recognises that, as Scotland's greatest economic asset, ensuring that our people have positive employment prospects is vital if we are to deliver our ambitions for Scotland. It is also essential that we provide our people with the necessary skills and training, and leadership and management, to allow Scotland to innovate and compete in global markets.

The Government has a vital role in supporting the recovery and in continuing to tackle the causes and impacts of unemployment – particularly amongst our young people. However, ultimately it is growth and investment in the private sector that will be the key to unlocking Scotland's potential and creating the opportunities for all to flourish. Therefore, the *Government Economic Strategy* is also focused on creating the best possible environment for business, entrepreneurship and innovation to succeed.

## **Europe 2020 headline target**

*75% 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

The Scottish employment rate, for the population aged 20-64, was 73.3% in the last quarter of 2011<sup>6</sup>. This compares to 73.7% in 2010 Q4.

Prior to the onset of the recession in 2008, Scotland had historically high levels of employment. For example, in considering performance against the headline EU target, the employment rate for the population aged 20-64 in Scotland was 76.1% in 2007 Q4. However, the deterioration in economic conditions created a range of pressures in the labour market, which, as witnessed across many advanced economies, led to a fall in employment and a rise in unemployment. Scottish labour market conditions improved during 2010 and into the first half of 2011, before weakening once again during the second half of last year.

The headline employment statistics for Scotland, produced by the Office for National Statistics<sup>7</sup>, capture the population aged 16-64, with the latest statistics showing that the Scottish employment rate was 71.3% in the three month period December-February 2012. This remains above the UK employment rate (of 70.4% in the same period).

## Supportive Business Environment

Scotland's ability to succeed depends on the competitiveness of our businesses – large and small – as they are the key

drivers of sustainable economic growth and future job creation. Fortunately, Scotland benefits from being home to a range of highly successful companies across a diverse range of sectors. The *Government Economic Strategy* focuses our efforts on creating an environment that:

- is attractive to growth companies;
- enables companies to take advantage of opportunities in new international growth markets; and
- helps to build up the growth sectors of the economy which have potential to drive future growth.

## Enterprise Areas

The Scottish Government is establishing four Enterprise Areas in Scotland with the aim of boosting economic growth and stimulating new job creation, in areas of economic need and under-performance. The locations are strategic sites across Scotland where our natural resources and knowledge offer clear, realisable opportunities to build an international competitive advantage in a number of growth sectors. For example, there will be two Low Carbon/Renewables Enterprise Areas, reflecting the sector's strong growth potential in Scotland. Enterprise Areas will encourage businesses to bring forward investment decisions which, in the case of the Renewables Enterprise Areas, will contribute to meeting Scotland's ambitious 2020 climate change targets.

<sup>6</sup> These figures have been produced using the quarterly Labour Force Survey and they are not seasonally adjusted.

<sup>7</sup> <http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Regional+Employment>

A tailored package of support will be available at each location to help Enterprise Areas deliver their full potential. In addition a streamlined planning process will be in place and Scottish Development International will market the sites globally to inward investors and assist Enterprise Area businesses to grow through export markets. The local and national partnership approach to delivering Enterprise Areas will encourage wider benefits generation through developing supply chain linkages.

### **Business Gateway**

Business Gateway provides new and established businesses in Scotland with a first point of contact for all publicly funded advice and support. Responsibility for delivery of the Business Gateway service was transferred to local authorities as part of the 2007 enterprise network reforms, recognising their key role in growing local economies and supporting local businesses and to assist integration with other local authority services, such as planning, procurement, environmental health and trading standards. The Business Gateway provides a nationally consistent level of service, with scope for local discretion to respond to local needs.

Support includes general information with online tools and advice, start-up training, business advice through a network of expert business advisers, and information on the financial support that may be available. Although

a universal service, available to all business, priority support is given to those businesses that offer the highest growth potential. Business Gateway and our enterprise agencies – Scottish Enterprise and Highlands and Islands Enterprise – collaborate effectively to deliver seamless services to business across Scotland to help them grow.

### **Promoting International Trade and Investment**

There are significant opportunities for Scotland from aligning investments towards export promotion to take advantage of the significant growth opportunities from emerging international markets. In recognising the importance of capturing these opportunities the *Government Economic Strategy* established an ambitious target for Scottish businesses to deliver a 50% increase in the value of international exports by 2017. *Scotland's Trade and Investment Strategy 2011-15*<sup>8</sup> published in March 2011, set out key actions to support international trade and investment.

### **Better Regulation**

The Scottish Government is actively pursuing policies which promote better regulation. This can reduce unnecessary burdens on business and deliver a favourable business environment in which companies can grow and flourish, and we are working to deliver changes to the existing stock of regulation; and the flow of new regulation. To enhance the progress of better regulation the

<sup>8</sup> <http://www.sdi.co.uk/resources/reports/international-trade-and-investment-strategy-2011-2015.aspx>

Scottish Government is also bringing forward a Better Regulation Bill to further improve the way regulations are applied in practice across Scotland.

### **Supporting employability and tackling youth unemployment**

Scottish Ministers endorse President Barroso's emphasis on supporting young people into employment, education or training through the Youth on the Move Pact proposed in January 2012. This called for Member States to provide, among other things, a Youth Jobs Plan, to guarantee education or training for young people and to increase the numbers of apprenticeships and traineeships. The Scottish Government has already taken firm action on all of these points.

A dedicated Minister for Youth Employment role was established in December 2011 supported by an additional £30 million budget to be invested in helping Scotland's young people into training, work or education. £18 million is being spent in the year 2012-2013, with £6 million in each of the following two years. The Scottish Government has committed to spend:

- £6 million to support Community Jobs Scotland – which is a partnership between the Scottish Government, SCVO (the Scottish Council for Voluntary Organisations) and Social Enterprise Scotland that will create work opportunities for unemployed individuals within a wide range of third sector organisations across Scotland – in 2012-13;

- £2.5 million for a challenge fund for the third sector to provide support to unemployed young people;
- £1.5 million over three years to support 1,000 care leavers and young carers; and
- £9 million to support the six local authority areas with the highest levels of local and national youth unemployment (Glasgow, North Lanarkshire, South Lanarkshire, Renfrewshire, East Ayrshire and North Ayrshire).

These actions are over and above Opportunities for All which will ensure that every 16-19 year old not already in work, education or training is offered a learning or training opportunity. While we will also support a record 25,000 Modern Apprenticeship opportunities in each of the five years of the current Parliament.

The Scottish Government published its draft *Youth Employment Strategy*<sup>9</sup> in January 2012. This sets out the Youth Employment Minister's plans to harness spending and work across the Government to support our young people into employment or training. The final version of the Strategy will be published in Spring 2012.

### **Support for those who face redundancy**

Partnership Action for Continuing Employment (PACE) is the Scottish Government's national strategic partnership framework for responding to redundancy situations. Through providing skills development and employability support, PACE aims to minimise the time people affected

<sup>9</sup> <http://www.employabilityinscotland.com/draftyouthemploymentstrategy.aspx>

by redundancy are out of work, through a range of support tailored to meet individual needs and local circumstances. Skills Development Scotland co-ordinates PACE at a national level and facilitates local level response teams in conjunction with other key partners including Jobcentre Plus to provide tailored help and support for those facing redundancy situations.

PACE has provided support to over 13,000 individuals and 365 employers during the period April 2011 to March 2012.

In June 2009 the PACE Partnership was set up which brings together 18 organisations with the Scottish Government to oversee a continuous improvement programme to enhance the operation of PACE.

## Way 2 Work

Through the EU's Leonardo Mobility Programme, young Scots caught in the vicious cycle of homelessness and unemployment are getting new opportunities to improve their employability and develop important life skills. The Way 2 Work project run by Quarriers since October 2011 gives vulnerable young people across Scotland the chance to take part in a nine-week work placement in the Netherlands, during which they gain vocational experience, skills and qualifications.

The project was initiated by the Scottish Government, which put Quarriers in touch with Werkcenter, a Dutch company specialised in providing vocational training and improving employability for disadvantaged people. A reciprocal project led by Werkcenter sees Dutch young people gain work experience with Quarriers, one of Scotland's largest and most diverse charities.

Vocational training and experience abroad offers a number of benefits: by taking the young people away from the negative influences and worries they have at home, it allows them to focus on their development; it also broadens their life experience and horizons. The very act of spending time living abroad in a group setting - the placements are run for groups of six to eight, three times per year - is a formidable challenge, and completing it can leave a lasting impression on a young person's self-confidence. The support Quarriers provides before, during and after the placement ensures it is a positive and meaningful experience, and a foundation for continued vocational development once back in Scotland.

### **Third Sector actions to support employment**

The Third Sector is acknowledged in the *Youth Employment Strategy* as being superbly placed to work with young people at all stages of their journey towards and into work. This embraces working with those at greatest risk of disengagement through to offering opportunities to those closest to the labour market.

The Government has recognised this key contribution through a range of means, including the sector's access to the European Social Fund through the SCVO, its involvement in the implementation of Activity Agreements, and the delivery of a wide range of pre-employment training programmes. The Sector will also continue to play an important role, as identified above, in the next phase of Community Jobs Scotland (CJS) and the new Challenge Fund for social enterprises and third sector organisations. In 2011-12, approximately 1,900 people aged 16-24 took up CJS placements.

### **European Funding: Dundee Community Planning Partnership**

European Funding plays an important role in providing opportunities for people to upskill and extend employment opportunities to people at a disadvantage in the labour market.

A strategic approach to the delivery of European Social Funding (ESF) has been implemented through our Community Planning Partnerships (CPPs), such as the support given to the Dundee Employability Programme

that is overseen by Dundee City CPP. This approach brings together a wide range of local partners across the public, private and third sectors to develop and deliver bespoke local solutions, allowing the partners to maximise their funding and most importantly delivering an integrated, comprehensive service for individuals.

In 2011 £1.15 million of ESF was allocated to Dundee City Council for a two year project that is focused on delivering support to 4,000 individuals who are furthest from the labour market. The programme in Dundee uses a strategic pipeline approach, supporting individuals at each stage of the process from pre-employment to sustained employment. This joined-up approach with partners is reflected in the holistic approach of aligning European Regional Development Funds (ERDF) to link with the ESF-funded activity, thereby increasing engagement of inactive groups, increasing jobs outcomes by 15%, improving aftercare and job sustainability by 20% and decreasing drop-out from provision.

The Learning Place in Hilltown is an excellent example of the co-operation between the funding streams. This project has seen ERDF used to refit a building in Hilltown – one of Dundee's areas of multiple deprivation – turning a run-down building into a custom-fitted learning centre that provides not only a space for learning but also for crèche provision, wheelchair facilities and an open plan IT suite. In its first year the site has been used by 500 individuals with 32% of these moving into employment and 30% getting an accredited work-related qualification.

# INNOVATION AND R&D

Scotland is a country rich in opportunity and bursting with innovation. Increasing the level of research and development activity, encouraging innovation, and improving levels of commercialisation will be vital to boosting Scotland's growth performance.

The *Government Economic Strategy* identifies that innovation in its widest sense must be recognised and encouraged across the entire business base, whether large or small, long-term established or starting up, science and technology based or more traditional or service based business. This involves developing new processes, products, services and business models to take advantage of global and market opportunities, often through incremental change.

## **Europe 2020 headline target**

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

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

If this target is achieved, the EU estimates that 3.7 million jobs could be created and annual GDP could increase by nearly €800 billion in the EU.

## **Current Scottish Performance**

The National Performance Framework includes a National Indicator to Increase Research and Development Spending in Scotland. This indicator compares Scotland's Gross Expenditure on Research and Development (GERD) as a percentage of GDP with the equivalent average figure for the EU27. In 2010, Scotland's Gross Expenditure on Research and Development as a percentage of GDP was 1.58%. For the EU27, the comparable figure was 1.91%, thus representing a gap of 0.34 percentage points<sup>10</sup>. This gap has widened by 0.09 percentage points from 2009. However, it has narrowed by 0.01 percentage points since 2006, which is the baseline year for the indicator.

To recognise the importance of ensuring the knowledge generated in Scotland's universities is effectively exchanged with business, Scotland's National Performance Framework includes an indicator on knowledge exchange from university research. The indicator measures universities' income from knowledge exchange (KE) activities (stripping out the effects of inflation and public funding for KE activities) such as licensing, consultancy and the delivery of professional training. In 2009-10 Scottish universities' KE income had fallen by 1.9% from the previous year. However, relative to the baseline year of 2007-08, KE income had risen by 1.8%<sup>11</sup>.

Scotland's innovation performance is also measured through wider innovation expenditure (Community Innovation Survey). The latest data show that over the period 2006-2008, the proportion of innovation active firms in Scotland was 54.8%.

## **Innovation and Commercialisation**

The Scottish Government is committed to creating a dynamic infrastructure for research and innovation – this will enable Scotland to compete in those industries set to drive the global economy in the years ahead, such as low carbon, life sciences and digital. To achieve this, the *Government Economic Strategy* has identified strengthening levels of innovation and commercialisation, including improving the links between our universities and private sector companies, as a key priority.

## **Horizon 2020**

The Scottish Government welcomes the scale and ambition of the EU's future research and innovation policy – Horizon 2020 – and is committed to continuing to engage with the European Commission to ensure that it complements Scotland's research and innovation strengths. The refreshed *Government Economic Strategy* is closely aligned with some of the key objectives of Horizon 2020, such as seeking greater cohesion in the wider research and innovation landscape; and in

<sup>10</sup> Note that the gap is calculated on unrounded data

<sup>11</sup> <http://www.scotland.gov.uk/About/scotPerforms/indicator/knowledge>

recognising the importance of SMEs and their roles in engaging with innovation. SMEs are vital in bringing ground-breaking ideas to the market place. With a proposed budget of around €90 billion over 2014-2020; simplification of the rules for participation; and establishing a standardised funding programme; Horizon 2020 will seek greater cohesion in the wider research and innovation landscape and encourage greater participation among SMEs.

Through our multi-agency steering group we have submitted a Scottish response to the Horizon 2020 Green Paper; developed following extensive consultation with business and academia. We consulted with stakeholders to raise the profile of this and other EU funding programmes and have promoted Scottish business and research capability within the EU, engaging with the EU directly to ensure there is a strong voice for Scotland in Europe.

### **Universities**

The refreshed *Government Economic Strategy* identifies universities as a key growth sector for the Scottish economy. Key actions that the Scottish Government is engaging in includes investing in our universities to ensure they remain internationally competitive and truly excellent in world terms while developing partnerships with business to exploit their research. In doing so we will secure greater economic and societal benefits and maintain Scotland's world-leading position in university research.

In 2011-12 the Scottish Funding Council has invested a total of £289 million in research and knowledge exchange. Scotland has maintained a world leading position on research quality. More than half of Scotland's research is rated as either world-leading (4\*) or internationally excellent (3\*) (Research Assessment Exercise (RAE) 2008). Scotland ranks third in the world after Switzerland and the Netherlands in terms of citations per researcher; and Scotland's research is cited by other researchers around the world more often than any other country in comparison to its GDP. Since 2007, Scotland has attracted nearly €276 million in funding from Framework Programme 7. Universities and research institutes have secured €248 million equating to 8.56% of the UK share. In 2009-10 Scotland secured 10.8% of the UK's share of Research Council funding.

These actions will ensure that Scottish Universities retain their comparative advantage as well as allowing for the potential to capitalise on Scotland's unique natural assets.

### **European Funding: Life Sciences Growth Sector**

European Regional Development Funds (ERDF) are being used to encourage innovation and support the development of Scotland's Growth Sectors, through projects like the Scottish Centre for Regenerative Medicine, which is situated in the heart of the Scotland Life Science's community in the Edinburgh BioQuarter.

The Scottish Government provided support of £5 million of ERDF towards the £54 million project. This state of the art building is providing the necessary infrastructure to support Europe's, and Scotland's, ambition to be a dynamic and competitive knowledge based economy.

The Centre will realise this potential by combining research and stem cell line manufacturing as well as providing support for the commercialisation of stem cell lines. The Centre will deliver a 'bench to bedside' approach in regenerative medicine by not only facilitating closer working between academics and researchers, encouraging new research and innovation but also by providing opportunities for researchers to collaborate with SMEs to commercialise the research outcomes – helping to ensure that our SMEs in this sector are globally competitive.

This project has brought together the Scottish Funding Council, the University of Edinburgh, Roslin Cells, the Scottish National Blood Transfusion Service and the Scottish Stem Cell Network. The project anticipates that 26 businesses and 20 research networks and collaborations will be supported, whilst 91 new products and services will be developed and around 800 jobs created. The project was completed in 2011 and will be officially opened on 21 May 2012.

### **Research Pooling**

Research pooling will allow a higher quality of research to be obtained. Easy Access Intellectual Property (IP) has been pioneered by the University of Glasgow and is designed to increase engagement between universities and industry and to accelerate the transfer of university knowledge and expertise to commercial partners who can develop it. Certain IP can be made available free of charge through Easy Access IP using quick and simple one-page agreements, allowing companies to put it to use quickly with reduced risk. There are no upfront fees or royalties, even if the technology generates income for the company in future. The University of Glasgow has made the vast majority of its IP available through Easy Access IP with other Scottish Universities expected to participate in the coming months. Every Scottish higher education institution has committed to implementing a system of "easy access IP" in 2012. Business will be able to access information through a single portal, alongside individual institutions' own marketing routes.

The Scottish Funding Council (SFC) has allocated £150.3 million to 11 research pooling investments covering physics, chemistry, engineering, geosciences/ environment & society, economics, life sciences, brain imaging, informatics & computer science, Gaelic language and culture and marine science.

### **Single Knowledge Exchange Office for Scotland**

Our university research in Scotland is recognised as being among the best in the world. Businesses need a knowledge exchange system that is simple and transparent to navigate, providing them with access to this expert knowledge and research. A research base which is joined up across Scotland and reflects users' needs increases its attractiveness and has the potential to stimulate even greater levels of interaction.

A single business-focused 'one stop shop' for engaging with the Scottish university research base in the form of a single knowledge exchange office (KEO) would bring a competitive edge to Scotland and provide the basis for a step change in our approach. A joint working group involving the university and business sectors is exploring what a single knowledge exchange office might look like and is expected to report its findings by Summer 2012.

## **Interface**

Interface is a national programme supported by the Scottish Funding Council (SFC), which match-makes businesses with research resources in Scotland's universities and research centres. The SFC's Innovation Voucher scheme (administered by Interface) provides the link for business, and provides funding of up to £5,000 to universities to work with SMEs on a variety of projects, including the development of new products and services, and improved production processes. In return for this funding, SMEs will contribute a matching value of staff time, access to facilities or cash.

The SFC has estimated that in the last three years alone, the voucher scheme has helped 230 projects, from funding of over £1 million. The voucher scheme has helped SMEs in a number of sectors, including food and drink, sustainable technologies, energy and tourism. As a mark of the project's success, Interface's service is Scotland wide, enabling more opportunities for greater research. In addition, the SFC is set to invest £2.2 million into the Voucher Scheme, as well as £1.2 million into Interface over the next three years (starting from October 2011). This includes European Regional Development Fund (ERDF) funding of £800,000.

Recognising the success of both Interface and the Voucher Scheme, Scotland's enterprise bodies have made investments in both to ensure a nationwide service and integration of innovation support. The Council and the enterprise bodies have also recently launched a "follow-on" voucher scheme offering support to larger projects derived from initial innovation voucher projects.

## Encouraging Business Innovation

Increasing business innovation is critical for growing the economy and making Scotland more competitive. The Scottish Government is working with our public sector partners – principally our enterprise agencies, Scottish Enterprise, and Highlands and Islands Enterprise; and the Scottish Funding Council – to ensure that the support available is optimally aligned, more efficient and effective, and truly responsive to business needs. As part of this activity, 2012-13 will see the introduction of the £45 million per annum SMART: SCOTLAND fund. This fund will bring together activity across our enterprise agencies and streamline our approach to supporting innovation and commercialisation, ensuring that the interventions offered to businesses and universities are better aligned.

Specific activity is also underway to improve links between Scotland's business community and world-class universities. The Scottish Funding Council has announced funding of £10 million to create a number of Innovation Centres aimed at establishing and supporting sustainable university and business collaboration. Supported by Scottish Enterprise and Highlands and Islands Enterprise, the centres will create ambitious communities of academics, research institutes and businesses that will drive innovation in and across Scotland's key economic sectors.

## Digital Infrastructure

The flagship initiative on A Digital Agenda for Europe, set out in Europe 2020, aims to speed up the roll-out of high-speed internet in order to reap the benefits for households and firms. This ambition is complemented by the focus in the *Government Economic Strategy*.

The *Government Economic Strategy* identifies next generation broadband infrastructure as a support for future innovation in the digital economy and the means of ensuring Scotland's businesses (particularly in rural communities) remain competitive in the global digital environment to take advantage of the new opportunities this revolution will provide. It will also help the transition to a low carbon economy – allowing people to travel less and work from home more.

## Delivering World-class Digital Connectivity

*Scotland's Digital Future: Infrastructure Action Plan*<sup>12</sup> was published on 31 January 2012. It sets out a blueprint for world-class digital connectivity that will allow Scottish society to fully prosper economically, socially and culturally in the digital age. It outlines the Scottish Government's commitment and the steps it will take to deliver the Government's ambition of world-class digital infrastructure across all of Scotland. The *Action Plan* contains four programmes: achieving a step change by 2015; achieving world class by 2020; demonstrating and delivering innovative and local solutions; and increasing take-up and stimulating demand.

<sup>12</sup> <http://www.scotland.gov.uk/Publications/2012/01/1487/0>

The Scottish Government recognises that the overall investment needed to deliver its 2015 and 2020 targets will be significant. Although the Scottish Government is clear that the majority of next generation broadband rollout should be market-led, it also recognises

that the public sector will have its part to play. So far, over £250 million of public funding has already been secured for broadband delivery, and the Scottish Government continues to explore opportunities for additional funding – at Local Authority, UK and European level.

## Highlands and Islands Broadband Project

The Highlands and Islands (H&I) Broadband Project covers the entire Highlands and Islands region and is being led and managed by Highlands and Islands Enterprise (HIE).

The H&I project will run in tandem with a second procurement the Scottish Government is currently taking forward for the rest of Scotland. Both projects will collectively deliver the Scottish Government's 2015 broadband targets – as set out in Programme 1 of *Scotland's Digital Future: Infrastructure Action Plan*. To ensure that the optimum balance between national objectives and local needs is struck and delivered, a partnership approach is being undertaken by the Scottish Government and HIE.

The H&I project will be delivered in phases – the first of which aims to deliver, by 2015, next generation broadband to around 50 towns and communities geographically spread across the region. Also by 2015, the project aims to provide everyone in the region with at least 2 Mbps. The overall ambition of the project is for 100% coverage of next generation broadband by 2020. On 8 June 2011, the project entered its procurement phase; contract signature is expected in Summer 2012. Delivery of connectivity improvements to the region is expected to begin in early 2013.

# TRANSITION TO A LOW CARBON ECONOMY

The Scottish Government recognises that climate change is undoubtedly one of the most important challenges that we face as a country, and it will have far-reaching consequences for our economy, our lifestyles, and our natural environment. The *Government Economic Strategy* highlights that only by promoting environmental sustainability, and delivering a significant reduction in our greenhouse gas emissions, will we be able to deliver growth and benefits for all over the long term.

However, this challenge also represents an exciting opportunity to take advantage of Scotland's excellent comparative advantage in the low carbon economy.

## Europe 2020 headline targets

- *reducing greenhouse gas emissions by 20% compared to 1990 levels (or by 30% if conditions are right);*
- *increasing the share of renewable energy sources in final energy consumption to 20%; and*
- *a 20% increase in energy efficiency.*

## Current Scottish Performance

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

The Climate Change (Scotland) Act 2009 established ambitious emissions reduction targets for reducing greenhouse gas emissions by at least 42% by 2020 and at least 80% by 2050. As of 2009, there has been a fall in total greenhouse gas emissions of 27.6% in Scotland from the base year of 1990, when including international aviation and shipping and our participation in the EU-ETS (Emissions Trading Scheme). Between 2008 and 2009 such emissions reduced by 3.8% (2.0 million tonnes carbon dioxide equivalent) after taking account of ETS.

Provisional data from the Department of Energy and Climate Change (DECC) suggests that the Scottish Government is likely to have exceeded its 2011 target of 31% of electricity demand from renewables. In 2010, renewable electricity generation was equivalent to 24.1% of gross electricity consumption, compared to 27.3% in 2009 and 16.9% in 2006. The lower level of renewable electricity generation experienced in 2010, compared to 2009, was a result of a fall in hydro generation due to much lower rainfall in 2010. While we cannot report on the 2011 target until December 2012, provisional data for 2011 shows record levels of renewable generation in Scotland and conservative assumptions of consumption suggest that the 2011 figure is likely to be in the region of 35%.

Scotland also appears to be on track to meet its renewable heat target of 11% of Scotland's heat demand from renewables

by 2020 with actual heat output in 2010 of 2.8% up from 1.4% in 2008-09.

At the heart of the transition to a low carbon economy is a decoupling of trends in emission levels from trends in economic growth. An approach to measuring this is the energy intensity of Scotland's economy, as proxied by final energy consumption (kWh) per £ thousand of GVA, which was 1,352 in 2009. This compares with a figure of 1,596 in 2005.

### **Opportunities from a Low Carbon Economy**

The *Government Economic Strategy* identifies that the transition to a low carbon economy provides an excellent opportunity to place Scotland in an advantageous position within the global economy and ensure that the benefits of this change are shared across the economy and all our communities. This builds on the *Low Carbon Economic Strategy*<sup>13</sup> which set out our plans to move towards a low carbon economy in Scotland. Strong partnership working across public sector partners will allow us to fully realise the potential economic opportunity for Scottish firms through resource and energy efficiency to increase productivity and sustainable economic growth.

### **National Renewables Infrastructure Plan (N-RIP)**

N-RIP aims to assist the development of a globally competitive offshore renewables industry in Scotland

<sup>13</sup> <http://www.scotland.gov.uk/Publications/2010/11/15085756/0>

through the creation of infrastructure to support large-scale manufacturing, assembly, deployment and operations, and maintenance of offshore energy devices. Led by Scottish Enterprise and Highlands and Islands Enterprise and published in 2010, it highlights that investment of £223 million could support 750 complete offshore wind units per year, creating 5,180 manufacturing jobs and an annual economic impact of £294.5 million per year. A cluster approach has been taken

in terms of regional groups that can have complementary roles. Three broad geographic clusters have been identified – Forth/Tay, Moray Firth & West Coast – as well as an additional subsea cluster – Aberdeen/Peterhead.

To support delivery of *N-RIP* a £70 million National Renewables Infrastructure Fund has been established to help leverage private sector investment to develop the infrastructure across the country to support offshore renewables.

## Nigg Skills Academy

Nigg, located in the Highlands, has been identified as a strategic location in the National Renewable Infrastructure Plan and the Scottish Government is continuing to support the transformation and renaissance of Nigg as a vital hub for the world-leading energy industry. Nigg Skills Academy (NSA) is an industry-led energy skills academy, established to deliver training for thousands of workers across growth sectors including oil & gas and renewables.

Nigg Energy Park was purchased by Global Energy Group (GEG) in October. Highlands and Islands Enterprise (HIE) has already committed £1.8 million to the development of the 238-acre site which the company estimates could see up to 2,000 people employed within four years. Nigg Skills Academy is a facility for the entire sector, and its services will be open to all employers. In addition to GEG and Scottish public sector funders, the project includes a range of partners from across both the public and private sectors.

The Academy aims to start 290 Modern Apprenticeships (MAs) in its first year and to provide both MAs and general training for some 3,000 people by 2015 for a range of jobs including engineers, operators, riggers, technicians and for general and project management. The establishment of the NSA has the potential to make a major contribution to ensuring a workforce with the necessary skills is available to support the sector directly and within the supply chain.

The industry-led model has the potential to be delivered in various locations, with different industry partners across Scotland.

## 2020 Routemap for Renewable Energy in Scotland

In the 2020 Routemap for Renewable Energy in Scotland<sup>14</sup>, the Scottish Government sets out its targets to meet an equivalent of 100% of Scottish demand for electricity from renewable sources, and 11% of heat from renewables, by 2020. These components form part of an overall target to meet at least 30% of primary energy demand from renewables by 2020, and sit alongside continued and strenuous efforts to reduce demand. Meeting these targets will require emerging technologies such as offshore wind, wave and tidal power to make a significant contribution, alongside more established forms such as onshore wind and hydro. The Scottish Government has made significant support available for offshore renewables, as well as for projects at community scale across Scotland (where we have a target of 500 MW by 2020).

The revised draft *Electricity Generation Policy Statement*<sup>15</sup> of March 2012 sets out an analysis of the policies needed to meet the target of generating an equivalent of 100% of electricity demand from renewables by 2020, and efforts to enable Scotland to meet its

overall objective of decarbonising the electricity supply by 2030.

## Carbon Capture and Storage Roadmap

The Scottish Government supports Carbon Capture and Storage (CCS) as a critical new technology that would transform the way we generate power, help reduce carbon emissions and ensure security of supply. Scotland is well placed to take a lead in its development and commercialisation; and we have the knowledge and expertise in our universities and industry, the infrastructure in the North Sea, and the strong leadership in government necessary to make this happen and achieve our ambition of a low carbon economy.

*Carbon Capture and Storage – A Roadmap for Scotland*<sup>16</sup> was published in March 2010 and sets out the Scottish Government's vision for CCS in Scotland and identifies the key actions as well as how some of the existing challenges and uncertainties around CCS might be dealt with. A *CCS Roadmap – Progress Report*<sup>17</sup> was published in May 2011 and highlights the various CCS activities and achievements undertaken in Scotland so far.

<sup>14</sup> <http://www.scotland.gov.uk/Publications/2011/08/04110353/0>

<sup>15</sup> <http://www.scotland.gov.uk/Topics/Business-Industry/Energy/EGPS2012>

<sup>16</sup> <http://www.scotland.gov.uk/Publications/2010/03/18094835/0>

<sup>17</sup> <http://www.scotland.gov.uk/Topics/Business-Industry/Energy/resources/Publications/CCSRoadmapUpdate>

## Scotland's International Technology and Renewable Energy Zone (ITREZ)

Scotland's ITREZ is one of the key elements outlined in the National Renewables Infrastructure Plan, and is where industry and academia are working together to meet the challenges associated with the development of the offshore renewables sector - introducing efficiencies, reducing risk and driving down costs.

The heart of ITREZ is in Glasgow city centre where Scottish Enterprise's Industry Engagement Building and the University of Strathclyde's £89 million Technology and Innovation Centre are being built.

Companies are co-locating around the area with developers SSE, Scottish Power Renewables and Gamesa, all within a few miles.

This growing hub of companies are capitalising on Scotland's offshore renewables opportunities and establishing Glasgow and the west of Scotland as an international centre for excellence for research and development, design and engineering of renewables.

The work of ITREZ will be further enhanced by the recent announcement that the Offshore Renewable Energy Catapult Centre will be located alongside ITREZ in Glasgow. The Catapult centre will bring together knowledge, expertise and state of the art facilities to help UK businesses innovate and find new ways to capture and use the power from offshore renewable energy sources.

### Report on Policies and Proposals

The Climate Change (Scotland) Act 2009<sup>18</sup> set targets to reduce greenhouse gas emissions by 80% by 2050, with an interim target of a 42% reduction by 2020, from a 1990 baseline. Annual statutory targets have now been set out to 2027. Scottish Ministers must publish a report on proposals and policies (RPP) for meeting each batch of annual targets. The first of these reports, *Low Carbon Scotland: Meeting the Emissions Reduction Targets 2010-2022*<sup>19</sup>, was

published in March 2011. It describes proposals and policies for reducing greenhouse gas emissions across the Scottish economy. A second RPP will be published in 2012, assessing progress made and indicating how the targets for 2023-2027 can be met.

Another key piece of work includes the *Low Carbon Scotland Public Engagement Strategy*, published in December 2010, which meets the requirement to engage and inform the public on climate change measures.

<sup>18</sup> <http://www.scotland.gov.uk/Topics/Environment/climatechange/scotlands-action/climatechangeact>

<sup>19</sup> <http://www.scotland.gov.uk/Publications/2011/03/21114235/0>

## Smart Cities

Cities and urban areas are crucial in the transformation to a low carbon economy, and the concept of implementing “Smart Cities” has grown as a priority for governments, particularly across Europe.

Scottish Smart Cities Steering Group, led in partnership by the Scottish Government, Scotland Europa and the Scottish European Green Energy Centre (SEGEC), pools resources and develops Scottish project ideas with a view to taking full advantage of EU funding opportunities (such as the EU Smart Cities Platform funding streams). The group is currently considering options to collaborate on a pan-Scotland ELENA bid for a technical assistance grant for energy efficiency projects, and moving to integrate into an action group for the sustainability strand of the Cities Alliance (delivering the Agenda for Cities).

The Scottish Cities Alliance is carrying out a low carbon project mapping exercise which will inform the feasibility of an ELENA bid or the need to seek alternative sources of support.

### Energy Efficiency

The Scottish Government published *Conserve and Save Energy Efficiency Action Plan*<sup>20</sup> in October 2010, which includes an ambitious headline target to reduce final energy consumption by 12% by 2020. An annual report was published on 5 October 2011<sup>21</sup> and the second report, outlining progress we have made against the actions we committed to in the original report, is currently being prepared.

Since 2007, the Scottish Government has invested around £30 million to support householders and small businesses with a range of energy efficiency and microgeneration advice, grants, and loans through the Energy Saving Trust. In 2010-11 this resulted in: 5,764 householders and 395 private sector landlords being supported with a £400 voucher towards the replacement of G-rated boilers; and over £2.4 million

being paid out through more than 80 interest-free Small Business loans (which range from £1,000 to £100,000, and help businesses install renewable energy technologies or measures that reduce energy consumption).

### Scottish Energy and Resource Efficiency Service

The Scottish Government is committed to improving energy and resource efficiency across businesses and the public sector in Scotland. The Scottish Energy and Resource Efficiency Service (SERES) virtual partnership makes it easier for businesses to access energy and resource efficiency advice. It is a virtual partnership that brings together the existing business support and advice programmes delivered by a range of bodies. This makes it easier for businesses to access professional advice from any entry point through joint marketing, events and cross-referral.

<sup>20</sup> <http://www.scotland.gov.uk/Publications/2010/10/07142301/0>

<sup>21</sup> <http://www.scotland.gov.uk/Publications/2011/10/04142510/0>

The Scottish Government will build on the existing SERES framework to further simplify the delivery landscape and provide an even better service to unlock greater resource savings. The intention is to establish a new single integrated “business resource and energy efficiency service” for Scotland from 2013 which will integrate current business and public sector services into one single service.

### **Carbon Emissions Reduction Commitment (CERT)**

The Scottish Government has worked with the CERT Strategy Board to redesign our domestic energy efficiency and fuel poverty programmes to maximise uptake of CERT. Scotland’s share of professionally installed cavity wall and loft insulation installed across Great Britain increased across the first three years of the programme from 6.6% in 2008-09 to 10.8% in 2010-11 and remains consistent across the first half of year 4 (10.8%), compared to Scotland’s share of total British dwellings of 9.4%. In 2010-11 over 100,000 professional insulation measures were delivered in homes in Scotland. The CERT data is based on voluntary submissions by suppliers and there is some data missing, particularly for the last quarter, thus it can only be used as an indication of delivery.

### **Green Deal and Energy Company Obligation**

The Scottish Government supports the UK Government’s development of an innovative new finance mechanism as part of its Green Deal initiative which

will give householders, businesses, public sector bodies and community groups access to private sector funding for a range of energy efficiency measures. The Green Deal will enable households and occupants of other buildings (both domestic and non domestic) to have energy efficiency improvements installed at no upfront capital cost and to pay for them, over a period of years, through a charge on their electricity bills.

The Energy Company Obligation (ECO) will replace the existing energy company obligations, the Carbon Emissions Reduction Target (CERT) and Community Energy Savings Programme (CESP). The consultation paper estimates that energy suppliers will invest around £1.3 billion across Great Britain each year to meet their ECO targets. This is equivalent to around £120 million in Scotland based on a pro-rata share of investment. As ECO is designed to be flexible, to keep costs low, the level of investment is not guaranteed and may be less or more than this.

### **Housing**

The homes and communities sector makes a significant contribution to the *Report on Proposals and Policies* and to the Energy Efficiency Action Plan – reflecting the fact that around 29% of energy consumed in Scotland is housing-related.

The Cabinet Secretary for Infrastructure and Capital Investment has set up a Sustainable Housing Strategy Group to develop a Sustainable Housing Strategy for Scotland. This will help to meet our

commitments under the Climate Change (Scotland) Act and the housing policy paper, *Homes Fit for the 21st Century*<sup>22</sup>. The strategy will be published later this year and will bring together policies on climate change, energy efficiency and fuel poverty, planning and the built environment.

We are also carrying out a full review of our fuel poverty strategy and are developing proposals for new energy efficiency programmes that will be supported by £250 million of Scottish Government funding over the next three years. The new programmes will build on our successful area-based schemes and draw in substantial private funding through energy company obligations. Also under development are proposals for a new Warm Homes Fund to support community renewable projects in areas off the gas-grid and affected by fuel poverty. The fund is supported by £50 million over the lifetime of the current Parliament.

### **European Funding: Scottish Innovative Low Carbon Fund (SILC)**

A tangible demonstration of the Scottish Government's commitment to supporting the transition to a low carbon economy is the setting up the Scottish Innovative Low Carbon Fund (SILC) in the Lowlands and Uplands

Scotland (LUPS) area with £15 million of European Regional Development Funds. This fund supports projects that reduce carbon emissions or reduce carbon intensity. Over £10 million has been allocated to a wide range of projects, including Green Cow run by the Scottish Agricultural College. This project is looking at how we can reduce carbon emissions and aims to ensure Scotland has a significant lead in global efforts to help farming, food and rural businesses address the challenges of climate change.

ERDF is also being used to fund infrastructure developments that support the offshore wind and marine energy sector – an area where Scotland has a competitive advantage. For example, £2.2 million was allocated towards a £20 million project to redevelop Scrabster Harbour in Orkney. Scrabster Harbour occupies a strategically important location within the Pentland Firth, and is the first area in the UK to be made available for commercial scale development of wave and tidal energy. This project will provide the necessary facilities to support the commercial activity and is already providing opportunities for local people with over half of those directly employed being locally based and the project directly supporting another seven local businesses.

<sup>22</sup> <http://www.scotland.gov.uk/Publications/2011/02/03132933/0>

# LEARNING AND SKILLS

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

Investment by all individuals, employers, and by the public sector in early years, school, further and higher education has a proven impact on the employability and productivity of all individuals and, in turn, growth. The successful transition of young people from compulsory education into positive and sustained learning, training or work is of great importance to both the individual and wider society.

## Headline EU 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% from the current 15%; and*
- *Increasing the share of the population aged 30-34 having completed tertiary or equivalent education to at least 40% by 2020.”*

## Current Scottish Performance

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

- The rate of early school leavers<sup>23</sup> in Scotland was 13.8% in 2010. The comparable figure for the UK is 14.9%.
- Share of the population aged 30-34 having completed tertiary education in Scotland (49.8%<sup>24</sup> 2011 survey).

Education is a fully devolved policy area for the Scottish Government. We measure performance in this area through our National Performance Framework. The relevant National Indicators to education are:

- *Increase the proportion of school leavers (from Scottish publicly funded schools) in a positive and sustained destination* – in 2010-11, 85.2% of school leavers were in positive destinations, compared with 85.1% in the previous year and 87.0% in 2007-08
- *Increase the percentage of Scottish domiciled graduates from Scottish Higher Education institutions in positive destinations* – 63.1% of students graduating in 2009-10 were in positive destinations six months after graduating, compared to 66.5% in 2008-09

Since 2001 there has been a steady decrease in the percentage of adults with SCQF Level 4 qualifications or below<sup>25</sup>. The figure has fallen from

16.4% in the 2007 baseline year, to 14.7% in 2010.

## Equipping our young People with the knowledge and skills to flourish

Children and young people's educational experience should open the doors to opportunities which enable children to become successful learners, confident individuals, responsible citizens and effective contributors to society. The learning accessed during a young person's school career provides the bedrock for future opportunities to be realised through a combination of the knowledge, skills, aptitude and personal qualities people need to lead positive and productive adult lives.

The provision of publicly funded pre-primary and school education in Scotland is the responsibility of the 32 local authorities. They have direct responsibility for schools, the employment of education staff, the provision and funding of most educational services, and the implementation of Scottish Government policies on education. Under the Concordat signed by Ministers and COSLA in November 2007, local authorities have a shared role with Ministers in policy making and joint responsibility for the National Performance Framework. Education authorities therefore have significant responsibility and autonomy.

<sup>23</sup> Early leavers from education and training (formerly 'early school leavers') denotes the percentage of the population aged 18-24 having attained at most lower secondary education and not being involved in further education or training.

<sup>24</sup> Note: Tertiary education is defined as ISCED 5a, 5b or 6 level qualifications

<sup>25</sup> Note: SCQF Level 4 qualifications or below encompasses the following: Access qualifications (levels 1-3), Foundation S Grade, General S Grade and Intermediate level 1 qualifications

## Curriculum for Excellence

Curriculum for Excellence (CfE) is the 3-18 curriculum in Scotland which offers a broad and deep general education from early years (age 3) through to the end of S3 (typically age 15). CfE will raise ambitions, standards and achievement levels whilst providing our young people with relevant skills and behaviours.

It includes a senior phase of education (typically those aged 15-18) which provides opportunities to develop skills for learning, life and work and obtain qualifications. It promotes the ability to learn and to reflect on their own learning, skills for life that will help young people go onto further study, to secure work and to navigate successfully through life. Ultimately, the aim is to make our education system fit for the modern world and 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.

The new framework for learning and teaching under Curriculum for Excellence was published in June 2008. National guidance for teachers, known as the Experiences and Outcomes, was published on 2 April 2009, with CfE implemented progressively in primary schools from this time. The new curriculum was introduced in all publicly-funded secondary schools from August 2010.

## Investing in the learning environment

The Scottish Government is continuing to invest in the learning environment,

ensuring our school buildings are modern learning facilities that meet the needs of education in the 21st century, benefiting pupils, teachers and the local economy.

The £1.25 billion Schools for the Future Programme is expected to enable the construction of around 65 new schools across Scotland by 2018. This will help to deliver the Government's aim of reducing by half the number of pupils being taught in crumbling schools from 120,000 to 60,000 by the end of this Parliament.

The joint Scottish Government and COSLA school estate strategy, *Building Better Schools: Investing in Scotland's Future* which was published in 2009, sets out the national and local governments' shared vision, aspirations and principles for the efficient and effective management of the school estate.

## Scottish Survey of Literacy and Numeracy

The Scottish Survey of Literacy and Numeracy (SSLN) is a national sample based survey, involving all schools, monitoring pupils' performance in literacy and numeracy in alternate years, over time, at P4, P7 and S2. The SSLN has been developed to align with assessment approaches for CfE. The first numeracy survey took place in May 2011 with results published in March 2012. Performance was strong in P4 and remained strong in P7, unlike predecessor surveys which have always shown a dip in performance by P7. However, the dip in performance was

still seen in S2, the last cohort not to be following the Curriculum for Excellence. The survey also showed high levels of confidence amongst teachers about their ability to improve learning using the Curriculum for Excellence.

The first literacy survey will be in May 2012. The surveys will also provide information aimed at informing improvements in learning and teaching practice within the classroom.

### **Delivering Education that is responsive, and aligned, to demand**

The Scottish Government is ensuring all post-16 learning is structured with a system-wide focus on jobs and growth – which is more responsive to, and aligned with, the demands of business.

### ***Reform of Post-16 Education***

The Scottish Government is currently undertaking an ambitious reform programme<sup>26</sup> of post-16 education to ensure that our systems are driven by the needs of learners and employers not by the needs of institutions. Reforming Post-16 education, as well as focusing on creating the skills to match demand is an innovative vision. This vision of the sector is one which plays an important role in delivering improved life chances for young people, provides the best outcomes for learners, takes its world-class research base to even greater levels of success and which makes the maximum possible contribution to achieving greater levels of sustainable economic growth for Scotland.

<sup>26</sup> <http://www.scotland.gov.uk/Topics/Education/post16reform>

## **European Funding: Youth on the Move**

European Social Funds have played a vital role in supporting young people in education and training during the economic downturn with the Scottish Government providing the funding to a wide range of projects to support young people.

Most recently, in February 2012 the Minister for Youth Employment announced a package of projects worth £1.95 million to support colleges in the Highlands and Islands – with a particular focus on young people. The announcement included £147,000 for Inverness College for a project that will provide 100 additional college places for young people aged 16-24 that would normally have entered the employment market. It will provide them with further learning and skills to support their entry into the labour market or for further progression in learning in the college.

The Minister also announced £559,000 for the North Highland College – Highland Energy Collaboration project which aims to capitalise on the opportunities in renewables and engineering from the Pentland Firth and Orkney Waters wave and tidal developments. The project will support young people in the area by providing them with engineering qualifications or an apprenticeship and will work with employers and developers in the Pentland Firth and Orkney Waters to provide suitable placements during the apprenticeship programme, and on completion, moving these young people into full-time employment opportunities.

### **Further Education Funding**

The Scottish Government recognises the particular contribution of colleges in delivering the skills to drive economic development in Scotland, and providing vital skills and training, with approximately 400,000 enrolments annually. Scotland's colleges offer a diverse curriculum – including vocational, further, and higher education – to a diverse range of people and communities – and a geographical coverage that extends from all the major towns and cities to remote rural areas such as the Shetland Isles.

This Government is committed to maintaining Further Education (FE) student support budgets to ensure that our education system is based on the ability to learn and not the ability to pay. Following a record amount of initial investment of £84 million in academic year 2010-11, the Scottish Government, through the Scottish Funding Council, increased FE student support to £95.5m for academic year 2011-12. A rise of over 11% compared with the 2010-11 academic year. For the second year running, the Government is adding an additional £11.4 million to the baseline figure of £84.2m for academic year 2012-13, maintaining the FE student support budget at £95.6 million.

### **Education Maintenance Allowance (EMA)**

The Scottish Government has protected the EMA in Scotland and is providing £31.6 million per year to provide vital financial support to our most vulnerable

young people from the lowest income families to enable them to continue in education and learning beyond school leaving age. Helping young people remain in learning is the best way of ensuring their longer-term employment prospects. The EMA supported nearly 35,000 young people in Scotland in the academic year 2010-11, of whom 61% were school pupils and 39% were college students.

### **Universities**

The Scottish Government is committed to continued investment in our universities to maintain their international competitiveness and ensure they remain truly excellent in global terms. Universities, as well as being engines of growth through their research activities, have a critical role in developing graduates who are ambitious, creative, enterprising and socially-minded, with the skills, ingenuity and drive to foster future economic growth.

The latest Higher Education Statistics Agency (HESA) Destinations of Leavers of Higher Education survey highlights that graduates from Scotland's universities continue to show resilience in the labour market, despite the recession<sup>27</sup>. 88.7% of graduates from Scottish universities, from academic year 2009-10, were in positive destinations six months after graduation compared to 86% of graduates from English universities. Positive destinations include employment,

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<sup>27</sup> HESA's Destinations of Leavers of Higher Education survey published in June 2011

further study and a combination of work and further study. Graduates from Scottish universities also reported the highest average salaries within a year of graduation at £21,000 compared to a UK average of £20,000.

Scotland's high-level skills at undergraduate and postgraduate level correlates strongly with the nation's

ability to attract and maintain inward investment from business, thus growing the economy. Over the last year alone a number of companies including Avaloq, FMC Technologies, State Street and Outplay Entertainment have located or expanded their business in Scotland, creating hundreds of jobs, citing the quality and availability of graduates as a prime factor.

# EQUITY

The *Government Economic Strategy* highlights that as well as being a desirable outcome and characteristic of growth, equity – social, regional, and inter-generational – is also a key driver of sustainable economic growth. At the heart of this is ensuring that shared and sustainable growth provides the most disadvantaged areas and people in society with the opportunity to prosper.

It is only by ensuring that everyone has an opportunity to succeed that we will fully maximise the nation's potential.

## **Europe 2020 headline target**

*“The number of Europeans living below the national poverty line should be reduced by 25%, lifting over 20 million people out of poverty.”*

## **Current Scottish Performance**

Progress in this area is measured through the Scottish Government's National Performance Framework, which includes measures relevant to poverty and inclusion.

The Solidarity target is: *“To increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017”*. Between 2004 and 2009 total income received by Scottish households increased by £7 billion (2009 prices)<sup>28</sup>. Between 1997-98 and 2009-10 total income increased in almost every year. However, the proportion of total income

<sup>28</sup> <http://www.scotland.gov.uk/About/scotPerforms/purpose/solidarity>

received by those in the bottom three deciles has remained fairly constant at around 13-14% of overall income.

The NPF includes the “*Decrease the proportion of individuals living in poverty*” National Indicator. This is measured in terms of the percentage of people living in relative poverty (below 60% of median income before housing costs). Performance in 2009-10 shows that 17% of the Scottish population were in relative poverty (before housing costs) – this figure is unchanged since 2006-07. Relative poverty in Scotland has fallen since 1997-98 – from 20% of the population to 17%.

The NPF also includes the “*Reduce children’s deprivation*” National Indicator. 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% of UK median income). Performance in 2009-10 shows that 15% of Scottish children were covered by this measure – this figure has been around 15-16% since 2006-07.

## **Tackling Poverty and Income Inequality**

*Achieving Our Potential*<sup>29</sup> outlines the key actions required by the Scottish Government and its partners for tackling poverty and income inequality. Broadly, this framework aims to: tackle income inequality by making work pay, maximising the potential for people to work and maximising income for all; take long-term measures to tackle poverty and inequality; and support those experiencing poverty. The framework is supported by a number of policies including *Equally Well*<sup>30</sup>, which sets out Scottish policy to tackle health inequalities in Scotland, and the *Early Years Framework*<sup>31</sup>, which emphasises the crucial role of the early years in influencing later life outcomes.

There is a good level of engagement between stakeholders in Scotland – including third sector, academic and local government – and the Scottish Government. Many of the key decisions affecting poverty levels, and the impact of living in poverty on individuals’ wellbeing, are taken at local level. The Scottish Government is keen to ensure poverty is a priority at a local as well as a national level, and works closely with local authorities and Community Planning Partnerships in Scotland to develop local solutions.

<sup>29</sup> <http://www.scotland.gov.uk/Publications/2008/11/20103815/0>

<sup>30</sup> <http://www.scotland.gov.uk/Topics/Health/health/Inequalities/inequalitiestaskforce>

<sup>31</sup> <http://www.scotland.gov.uk/Publications/2009/01/13095148/0>

## The Tackling Poverty Stakeholder Forum

Since 2009 the Scottish Government has supported the development of the Tackling Poverty Stakeholder Forum (TPSF). The TPSF was established by the Poverty Alliance, the anti-poverty network in Scotland, to bring together individuals with experience of poverty, voluntary organisations working on poverty issues and officials from local and national Government.

The aim of this forum has been to establish an active dialogue around the development and monitoring of Scotland's anti-poverty Framework "Achieving Our Potential". By meeting twice each year, and establishing a range of active working groups, the TPSF has afforded the opportunity to contribute to key areas of anti-poverty policy, including community regeneration, child poverty and health inequalities. It has also allowed for the development of innovative responses to issues such as the stigma associated with poverty.

At times of economic difficulties, the active and ongoing engagement of all stakeholders becomes even more crucial in ensuring that issues of poverty and social exclusion remain high on the policy agenda. The TPSF has become an effective and efficient model of good practice on the issue of participation in national policy development.

Further information can be found at: [www.povertyalliance.org/epic/tpsf](http://www.povertyalliance.org/epic/tpsf)

### *Preventative Spend*

The Scottish Government is implementing a shift to preventative spending, including specific funding of £500 million for three change funds over the three-year period to 2014-15 to encourage joint working across the public sector in adult social care, early years and tackling re-offending.

There is a growing body of evidence which demonstrates that spending on prevention can deliver better solutions and outcomes for individuals and avert future costs on the public sector. This starts with a focus on the first few years

of life, where we know that a good start will bear dividends for a lifetime. Since 2007, the Scottish Government has taken work forward with our local authority partners and others to support this approach.

The funding will support a transition across public services away from dealing with the symptoms of disadvantage and inequality towards tackling their root causes. The third sector has a crucial role to play in delivery, because of its specialist expertise, its ability to engage with vulnerable groups and its flexible and innovative approach.

### **Early Years Framework**

Early years experiences provide the foundations upon which later investments in learning and skills are built. On 10 December 2008, *The Early Years Framework* was launched, signifying the Scottish Government and COSLA's commitment to giving all children the best possible start in life. The *Early Years Framework* sets out 10 elements of transformational change, to be realised over a 10-year time horizon, and covers the period from pre-birth to age 8. An update report on progress was published in January 2011<sup>32</sup>.

### **Early Years Change Fund**

The establishment of the Early Years Change Fund signifies a significant shift to preventative spend over the current Parliamentary term. The fund currently amounts to £272 million over the period 2012-13 to 2014-15. This is made up of contributions from NHS Boards and local authorities, alongside a Scottish Government contribution of £50 million. The Early Years Change Fund represents the Scottish Government, Local Government and NHSScotland's intention to shift resource to where it makes the most difference, by supporting prevention and early intervention.

The Early Years Change Fund, and corresponding activity, is being overseen by the Early Years Taskforce which has been established to develop the strategic direction for the early years agenda and co-ordinate policy across Government and the wider public sector to ensure that early years spending is

prioritised by the whole public sector. The Early Years Taskforce is jointly chaired by Scottish Government, NHSScotland and Local Government and involves elected politicians, practitioners and experts from the statutory and voluntary sectors.

### **Early Learning and Childcare**

Early learning and childcare in Scotland is delivered through a mix of public, private and third sector provision; and uptake is very complex. Very few parents access a single provider, and use changes with the age of the child. The Scottish Government has recently announced a raft of measures aimed at expanding early learning and childcare provision, including:

- a £4.5 million Community and Family Fund from 2012-13 as part of the Early Years Change Fund aimed at empowering local communities to shape local provision for children and families;
- £1.5 million per year is being made available to local authorities in their role as corporate parent from April 2012 and over the parliamentary term for additional early learning and childcare places; and
- on 10 March 2012 it was announced that the 2013 Children's Bill will include an extension to the level of early learning and childcare provision funded by the Scottish Government, from the current level of 475 hours per year to a minimum of 600 hours.

<sup>32</sup> Early Years Framework - Progress So Far, <http://www.scotland.gov.uk/Publications/2011/01/13114328/0>

The Scottish Government also announced that it will take forward several Public Social Partnerships (PSPs), around early learning and childcare, with a particular focus likely to be on: parents on low incomes and/or in poverty; parents and carers who work shifts; out of school care (including holiday clubs); rurality issues; and outdoor/nature kindergartens. In addition, in June 2012 a National Business Summit will be convened to explore new ways of incentivising and encouraging more flexible working in the private sector, to make it easier for parents with young children, including the promotion of childcare vouchers. For the longer term, we will work with our Early Years Task Force to set out and develop the steps we need to take to make early learning and childcare accessible and affordable for all.

### **Child Poverty Strategy**

The Scottish Government has also signed up the UK Child Poverty Act 2010 and has committed to doing all we can to eradicate child poverty by 2020. The new *Child Poverty Strategy for Scotland*<sup>33</sup> sets out the Scottish Government's approach to tackling child poverty. This builds on the strategic direction set out in *Achieving Our Potential*. The two key aims of this strategy are to: maximise household resources, particularly for low income families; and to improve children's wellbeing and life chances.

The Scottish Government published its first annual report on the Child Poverty Strategy for Scotland<sup>34</sup> in March 2012. The report covers a wide range of specific policy measures supporting the delivery of the strategy.

### **Living Wage**

While the statutory national minimum wage is an issue reserved to the UK, the Scottish Government is supportive of a 'Living Wage' – the amount calculated as providing a level of pay that adequately allows workers to provide for themselves and their families. The Scottish Government Public Sector Pay Policy ensures that the lowest hourly pay rate for all bodies covered by this is above the living wage level, and the lowest rate for NHSScotland workers is also above this level.

<sup>33</sup> <http://www.scotland.gov.uk/Publications/2011/03/14094421/0>

<sup>34</sup> <http://www.scotland.gov.uk/Topics/People/tacklingpoverty/ChildPoverty/childpovertystrategy2012report>

## European Funding: Maryhill Burgh Halls

This £9 million project has been supported through £1.3 million of European Regional Development Funds under the Urban Regeneration Priority. This historic listed building is located in Maryhill in Glasgow – an area that suffers from severe deprivation. Through the purchase and development of the building this project has established a viable and self supporting building that offers 10,000 sq ft of lettable office space for SMEs and third sector/social economy organisations alongside a café, childcare facilities, community music facilities and social and meeting facilities for the community.

The ERDF funding enabled the development of the business space as well as the childcare space. There are few business locations in the area and these are in high demand. Providing premises to bring new businesses to the area will provide more employment opportunities in an area where there are high levels of unemployment.

### Regeneration Strategy

The Scottish Government's *Regeneration Strategy*,<sup>35</sup> launched in December 2011, sets out our approach on how we can work towards achieving our vision of a Scotland where all places are sustainable and people want to live, work and invest. The Strategy outlines three key

elements to achieve this vision: tackling area-based deprivation by reforming how mainstream resources are used and working together with local government, private and third sector partners more effectively; a stronger focus on community-led regeneration; and realising the economic potential of Scotland's communities through focused funding and other support mechanisms.

The Strategy contains a range of interventions and support including a People and Communities Fund, worth £24 million over three years, specifically to promote and support community-led regeneration and a Capital Investment Fund worth £150 million over three years which includes SPRUCE, Scotland's £50 million JESSICA fund, which will provide loan funding to support revenue-generating regeneration projects.

### Social enterprise and the third sector

The third sector – comprising social enterprises, voluntary organisations and community organisations – makes a direct impact on the growth of Scotland's economy, the wellbeing of its citizens and the improvement of its public services. The Scottish Government is committed to the development of an enterprising third sector in Scotland. This includes supporting social enterprise by ensuring provision of support from start-up to business maturity through the £3 million Just Enterprise programme which will complement the services available through Business Gateway, Scottish

<sup>35</sup> <http://www.scotland.gov.uk/Topics/Built-Environment/regeneration/discussion>

## Enterprise and HIE.

The Scottish Government is working with the public sector to ensure that the third sector is appropriately involved in the design and delivery of services that are focused on the needs of the user, continually improving and are focused on prevention. In January 2012 we launched the £1.8 million Developing

Markets for Third Sector Suppliers programme which will increase awareness of the third sector and the role it can play in the design and delivery of services. The programme will also increase the knowledge, and use, of techniques such as Community Benefit clauses and Public-Social Partnerships which involve the third sector in ensuring that services meet the needs of those that use them and maximise social benefit.

# NEXT STEPS

As set out in the *Government Economic Strategy*, growing the economy and creating opportunities for all to flourish continues to be the Purpose toward which all the resources and actions of the Scottish Government are directed. All parts of the public sector in Scotland have a contribution to make the delivery of the Purpose and to the ambitions set out in Europe 2020.

The Scottish Government is strongly supportive of Europe 2020 as demonstrated by this distinct Scottish National Reform Programme. We will continue to highlight the unique approach being pursued in Scotland, fully represent Scottish interests, and share the wealth of experience and resources Scotland has to offer our European partners.

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

### ***In the European Commission:***

The Scottish NRP has been submitted to the European Commission and will be considered alongside the UK NRP. Each Directorate General within the Commission is provided with the individual sections of National Reform Programmes relevant to their work. The Scottish NRP will add context and clarification for the Commission on the Scottish approach to achieving the Europe 2020 ambitions; and Scottish Government officials will continue to work with Commission officials to provide further detail where required.

### ***In Scotland:***

Regular input from stakeholders continues to be a crucial element of the policy development process in the Scottish Government, and the Scottish National Reform Programme was developed with the valuable input of stakeholders. The Scottish Government will continue to encourage the participation of a wide range of stakeholders in pulling together evidence as part of the National Reform Programme process.

The contributions of stakeholders will feed into our approach to achieving the aims of 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 recommendations made on the basis of the National Reform Programmes.

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



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