

EUROPE 2020: SCOTTISH NATIONAL REFORM PROGRAMME

2016



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Any enquiries regarding this publication should be sent to us at
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Edinburgh
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MINISTERIAL FOREWORD

The vision set out in Europe 2020 – for smart, sustainable and inclusive growth across Europe – is one that the Scottish Government shares and supports.

The ambitions of Europe 2020 are closely aligned with this Government’s core Purpose of focusing government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.

Last year we published *Scotland’s Economic Strategy*, setting out how the Scottish Government and its partners will work together to boost Scotland’s competitiveness and tackle inequalities.

There are a range of actions taking place across Scotland that contribute to delivering the Europe 2020 agenda, and to the delivery of our Purpose. This Scottish National Reform Programme – the sixth that we have presented since 2010 – showcases the distinct contribution that Scottish actions are making towards meeting the ambitions of Europe 2020.

During 2015 we saw a sustained improvement in the Scottish economy, despite significant external headwinds, with economic activity and employment in Scotland reaching record levels.

However, a number of challenges remain – including those arising from global factors that affect the oil and gas sector, and longer-term challenges around improving productivity and reducing inequality. These challenges underline the importance of the actions we are taking to improve Scotland’s economic performance and ensure that the benefits of growth are shared across all of Scotland’s people.

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



Central to this is the need to encourage more inclusive growth – a priority recognised and shared by both the Scottish Government and the European Commission. The Scottish Government and its partners are taking forward a range of actions across a number of fronts: taking action to improve educational attainment; helping to equip our young people for the labour market, particularly through our expansion of Modern Apprenticeships; reducing barriers to parents entering the labour market by expanding the number of funded hours of early learning and childcare; and encouraging the adoption of progressive workplace practices through promotion of the Scottish Business Pledge. This is an area where Scotland is increasingly being seen as a world leader, and one where we are keen to share our approach with our European partners.

Both *Scotland's Economic Strategy* and Europe 2020 highlight the central role of innovation in delivering smarter, sustainable and inclusive growth. Scotland is heavily involved in *Horizon 2020*, the European Union's programme for research and innovation. We are continuing to build on our strong base of innovation and research, through collaborative initiatives such as our Innovation Centres. As a leading member of the Vanguard Initiative, Scotland is collaborating with other EU regions to develop innovative approaches to EU industry internationalisation and competitiveness, which will help to find solutions to key issues holding back advances in EU countries.

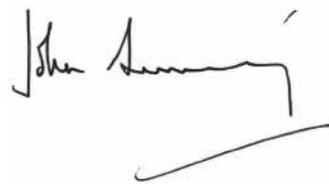
The Scottish Government also shares and supports the priority that the Commission gives to making the transition to a more low carbon, resource-efficient economy. This is particularly the case in the emphasis we both place on making the move to a more circular economy. I welcome the Commission's focus on this, set out in the Commission's recent

communication, *Closing the Loop*. The Scottish Government published our first circular economy strategy, *Making Things Last*, in February 2016, and we are working with partners to progress this agenda, through initiatives like the Scottish Institute of Remanufacture.

As this Scottish National Reform Programme makes clear, the ambitions of the EU and the Scottish Government are closely aligned. Actions being taken forward right across Scotland make a distinct and important contribution to the Commission's vision for sustainable, smart and inclusive growth. Membership of the EU has benefited and supported the actions that we have taken.

This year, the people of the United Kingdom will vote in a referendum on the UK's EU membership. For more than 40 years, individuals, businesses and communities across Scotland have experienced the social, economic and cultural benefits of EU membership, which is why we are making a positive, constructive case for staying in the European Union.

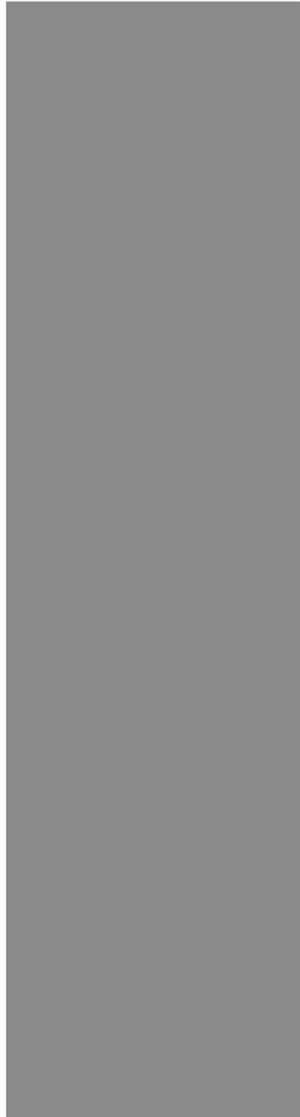
The EU is, and will continue to be, capable of change. If we are to promote positive changes for ourselves and others, Scotland must retain its role in the EU decision-making process. As a part of the EU, I believe that Scotland is in a stronger position to deliver the ambition that we share with the Commission of achieving smart, sustainable and inclusive growth.



John Swinney MSP

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

INTRODUCTION



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

The Scottish Government plays an important and distinctive role in developments at the European level. Engaging with the European Parliament and European Commission provides an excellent platform to demonstrate our success in areas where we are leading practice in Europe and to learn from the experiences of our European partners.

EUROPE 2020

Europe 2020 is the European Union's strategy for delivering smart, sustainable and inclusive growth over the period to 2020. The Scottish Government supports the development of the Europe 2020 Strategy, and took part in the European Commission's mid-term review of Europe 2020 in 2014.¹

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

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

As part of this process, the Scottish Government has contributed to the development of the UK Government's NRP for 2016.

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

¹ The Scottish Government's response to the mid-term review is summarised in the 2015 Scottish NRP.

THE EUROPEAN SEMESTER

The European Commission has established an annual cycle of economic policy coordination called the 'European Semester', which aims to focus the efforts of Member States on achieving the Europe 2020 targets. A summary of the European Semester is presented in Table 1.

TABLE 1: THE EUROPEAN SEMESTER

| | |
|----------|--|
| November | Commission publishes its Annual Growth Survey, detailing policy priorities for the EU as a whole to boost growth and job creation over the year ahead. |
| February | Commission publishes a Country Report for each Member State, analysing their economic situation, reform agendas, and progress towards previous CSRs. |
| April | Member States present their NRPs and Stability or Convergence Programmes to the Commission. |
| May | Commission proposes Country-Specific Recommendations (CSRs) to Member States to address particular challenges over the coming 12-18 months. |
| June | The European Council discusses and formally adopts the CSRs. |

In the 2016 Annual Growth Survey,² the European Commission proposes that efforts focus on the three following priorities for 2016:

- **Re-launching investment;**
- **Pursuing structural reforms to modernise our economies;** and
- **Responsible Fiscal Policies.**

COUNTRY SPECIFIC RECOMMENDATIONS FOR THE UK

The Commission provided the UK with a set of CSRs³ in July 2015:

1. Ensure effective action under the excessive deficit procedure and endeavour to correct the excessive deficit in a durable manner by 2016-17, in particular by prioritising capital expenditure.

2. Take further steps to boost supply in the housing sector, including by implementing the reforms of the national planning policy framework.
3. Address skills mismatches by increasing employers' engagement in the delivery of apprenticeships. Take action to further reduce the number of young people with low basic skills. Further improve the availability of affordable, high-quality, full-time childcare.

This report outlines where the Scottish Government is taking action, within the powers available to it, against these identified priorities. Information on the Scottish Government's approach to CSRs 1 and 2 can be found in Chapter 1, and information relating to CSR 3 can be found in Chapters 2 and 6.

² http://ec.europa.eu/europe2020/making-it-happen/annual-growth-surveys/index_en.htm

³ http://ec.europa.eu/europe2020/pdf/csr2015/csr2015_council_uk_en.pdf

DELIVERING THE AMBITIONS

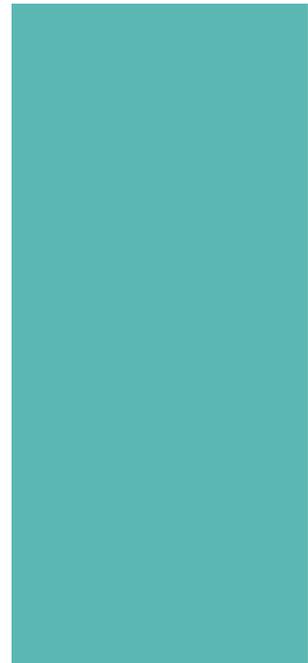
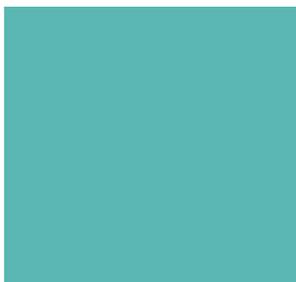
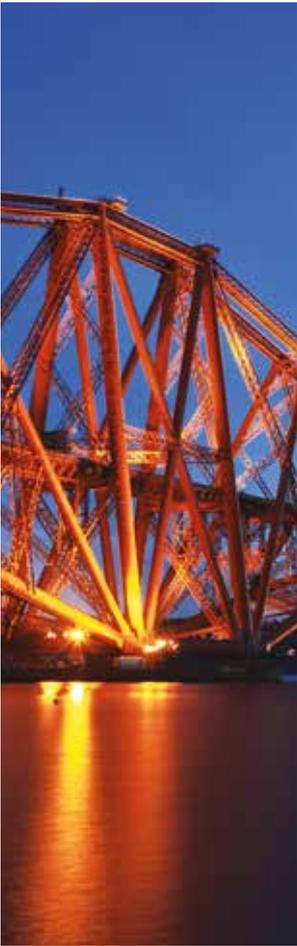
Stakeholder engagement plays a vital role in policy development in Scotland, and formed a central part of the development of the Scottish NRP 2016. In line with this approach, a successful stakeholder event was held in Glasgow on 29 January 2016 with representatives from the Scottish and UK Governments, the European Commission, and other interested parties. The aim of this event was to consult a wide range of views to capture the activity being pursued across Scotland that supports the objectives of Europe 2020, in order to inform the development of the Scottish NRP 2016 and the Scottish contribution to the UK NRP 2016.

The remainder of this document focuses on:

- The Scottish Government's approach to delivering sustainable and inclusive economic growth; and
- Actions being pursued in Scotland to support the delivery of the Europe 2020 ambitions, and actions that are contributing to addressing the Commission's CSRs to the UK.

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

CHAPTER 1: ECONOMIC FRAMEWORK, CAPITAL INVESTMENT AND HOUSING



Scotland's economy has recorded 3 years of continuous output growth with the level of GDP now approximately 3 per cent above its pre-recession peak. In 2015, employment and economic activity in Scotland reached record levels.

The global economic picture was mixed in 2015. Slowing growth in emerging economies as well as low commodity prices has created a challenging external environment for many economies. Growth in the US and the UK remained strong with low inflation – buoyed by low commodity prices – and improving conditions for households supporting growth in consumer spending. However, the appreciation of the dollar and sterling, alongside subdued global demand has created a more challenging export environment.

Overall, the general outlook is for sustained growth in Scotland, with growth forecast to be around 2 per cent this year.

A tri-annual assessment of conditions in the Scottish economy is provided in the Scottish Government's Chief Economist's *State of the Economy*⁴ publication.

This chapter sets out the Scottish Government's approach to economic policy, and includes actions being taken to address the Commission's CSRs 1 and 2 to the UK, regarding capital expenditure, housing supply and planning.

SCOTLAND'S ECONOMIC STRATEGY

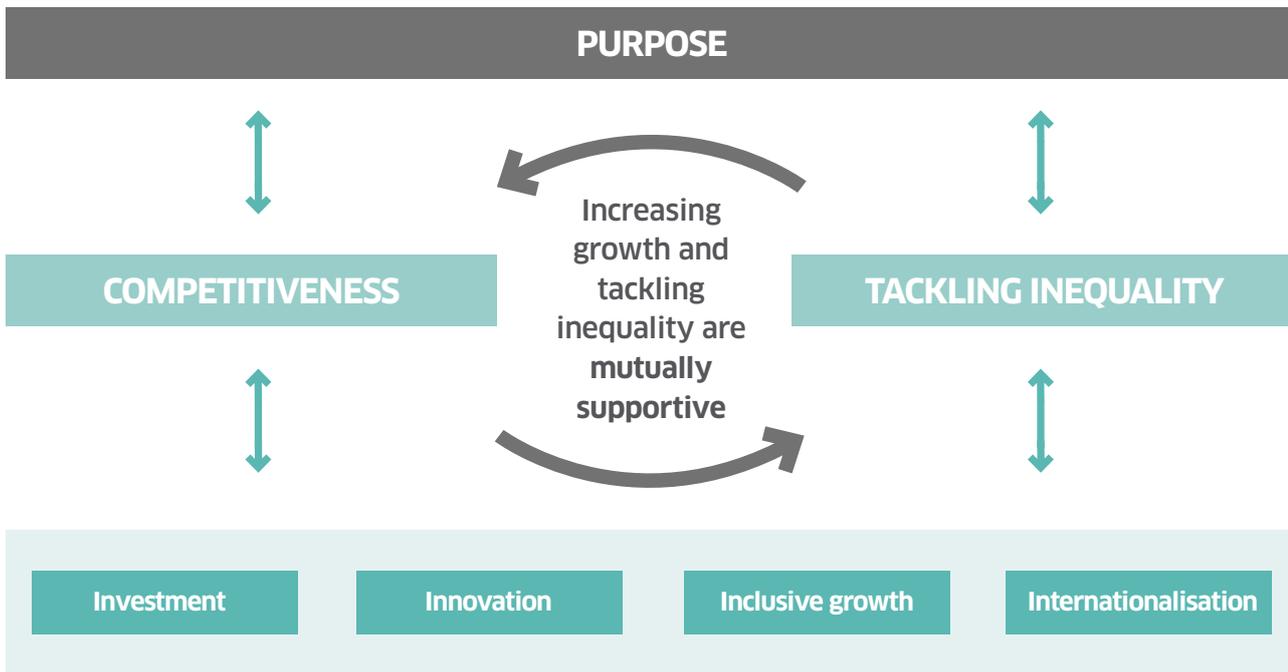
The Purpose of the Scottish Government is to make Scotland a more successful country, with opportunities for all to flourish, through increasing sustainable economic growth. *Scotland's Economic Strategy*,⁵ launched in March 2015, sets out an overarching framework for how the Scottish Government will achieve this Purpose, and create a more productive, cohesive and fairer Scotland.

The approach set out in *Scotland's Economic Strategy* is focused on two interdependent pillars: **increasing competitiveness** and **tackling inequality**. Scotland's economic framework is set out in Figure 1.

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

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

Figure 1: Scotland's Economic Framework



These goals of tackling inequality and boosting competitiveness are underpinned by four priority areas for sustainable economic growth:

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

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

The Scottish Government's Council of Economic Advisers⁶ provides advice to Ministers on how to improve Scotland's competitiveness and reduce inequality

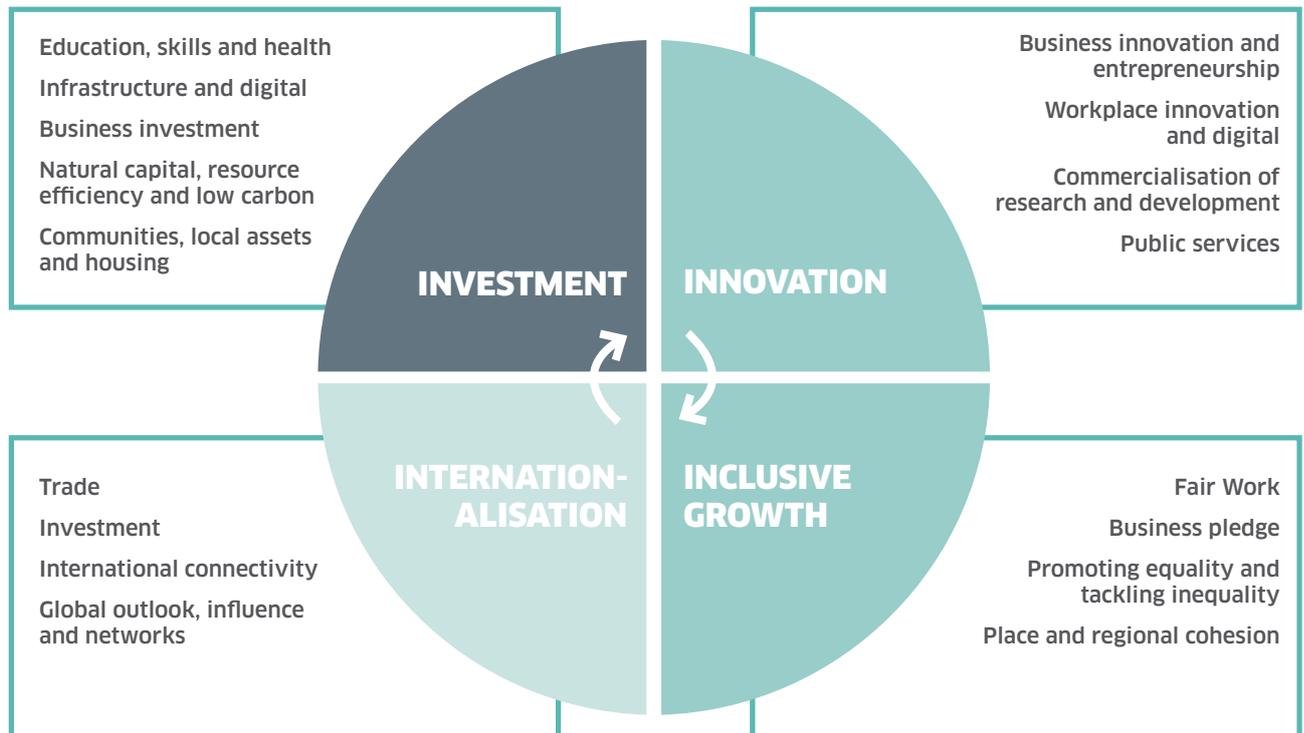
within Scotland. The Council's membership draws upon a range of knowledge and expertise and consists of leading figures from the private sector and academia, including two Nobel Laureates.

Scotland's progress against the Europe 2020 targets is captured through Scotland's National Performance Framework (NPF), which incorporates a range of social, economic and environmental indicators and targets for Scotland.⁷

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

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

7 <http://www.gov.scot/About/Performance/scotPerforms/glanceperformance>

Figure 2: Four Priorities

INCREASING SUSTAINABLE ECONOMIC GROWTH

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

This is reflected in the Scottish Government's current programme,⁸ which focuses on:

- **Building a stronger, fairer Scotland**
- **A Strong, Sustainable Economy**
- **Protecting and Reforming our Public Services**
- **Strengthening our Communities**

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

cover two of the areas highlighted to the UK by the European Commission through its CSRs.

CSR 1: Capital Investment

As part of the CSRs to the UK, the European Commission has placed a focus on prioritising capital expenditure to ensure that any reduction in the UK's deficit does not come at the expense of durable growth. Although the reduction in the deficit is a responsibility reserved to the UK Government, the Scottish Government is taking a number of actions to prioritise capital investment.

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

⁸ <http://www.gov.scot/Resource/0048/00484439.pdf>

As set out in the budget plans for 2016-17, the Scottish Government will support infrastructure investment of more than £4 billion in 2016-17 through the traditional capital budget, new borrowing powers, the Non Profit Distributing (NPD) pipeline, rail investment through Network Rail's Regulatory Asset Base (RAB), capital receipts and allocating some resource funding to capital assets.

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

Our Infrastructure Investment Plan 2015 (IIP),⁹ which builds on the achievements delivered through previous infrastructure plans was published on 16 December 2015. The Plan sets out why we need to invest, how we will invest and what strategic, large scale investments we intend to take forward within each sector over the next 20 years.

A progress report, published in March 2015,¹⁰ highlights that significant progress has been made since the publication of the previous Plan in December 2011. For example, during 2014, projects totalling almost £750 million completed construction and are now operational.

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

CSR 2: Investment in Housing

The Commission's CSRs to the UK recommend that further steps are taken to boost the supply in the housing sector, including by implementing the reforms of the UK's national planning policy framework.

This is an area where the Scottish Government and its partners are already taking a range of actions to ensure that all people in Scotland live in high-quality, sustainable homes that they can afford and that meet their needs.

The Scottish Government's housing strategy, *Homes Fit for the 21st Century*,¹¹ aimed to provide at least 30,000 affordable homes over 2011-16, including 20,000 homes for social rent of which at least 5,000 would be Local Authority homes. This target has now been exceeded, with a total of 30,133 affordable homes delivered by end October 2015. This includes 20,400 homes for social rent and within that, 5,292 Local Authority homes. Scottish Ministers have announced a target for the next 5-year term of the Scottish Parliament to deliver at least 50,000 affordable homes, including 35,000 homes for social rent. This ambitious plan will be backed up with investment of at least £3 billion over the next 5 years.

The Scottish Government announced an increase in housing subsidies by up to £14,000 for social and affordable homes for rent being delivered by councils and Registered Social Landlords, to help towards the target of delivering at least 50,000 affordable homes by the end of the next Parliament.

A range of schemes have been put in place to support private sector activity. This includes the £305 million Help to Buy (Scotland) shared equity scheme, which

⁹ <http://www.gov.scot/Publications/2015/12/5962>

¹⁰ <http://www.gov.scot/Resource/0047/00473221.pdf>

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

offered support to homebuyers between 2013-16. In January 2015, the Scottish Government introduced a new £30 million Help to Buy (Scotland) Small Developers fund, which supports buyers who wish to purchase a new build property from smaller developers in Scotland. By early February 2016, over 7,900 homes had been purchased through the Help to Buy (Scotland) and Small Developers schemes.

The Scottish Government announced a 3-year successor programme in January 2016, the Help to Buy (Scotland): Affordable New Build and Small Developers schemes. These will provide a further £195 million of support over the 3 years from 2016-19. This will offer equity support of up to 15 per cent on more affordable new build homes, with progressively reduced threshold prices targeting support to those most needing assistance to buy a home and adapting to improved market lending conditions.

The Scottish Government is making use of innovative funding approaches to deliver additional housing. Through the National Housing Trust initiative (NHT) and the Local Affordable Housing Trust (LAR), over 4,000 new affordable homes have been approved for communities across Scotland with hundreds more in the pipeline. The Scottish Government is investing a further £25 million in Charitable Bonds – an ethical investment instrument – in 2015-16 and the total loan investment of £37 million by 2016 will generate charitable donations of up to £10 million, supporting housing associations in providing up to 600 new affordable homes across Scotland.

As part of the Commission's CSR, the Scottish Government has noted the recommendation to implement reforms to the national planning policy framework. The Scottish Government is in the process of conducting a review of Scotland's planning system, as outlined in Box 1.

↓ **Box 1: Review of the Scottish Planning System**

As well as increasing the supply of sustainable and affordable housing in Scotland, the Scottish Government launched a review of the Scottish planning in September 2015 in order to deliver a quicker, more accessible and efficient planning process. A particular focus of the review is increasing the delivery of high quality housing developments.

The main aims of the review are to:

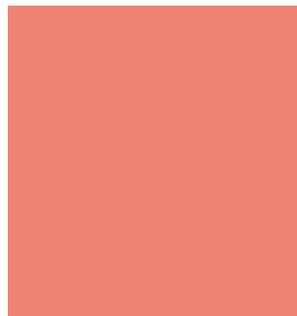
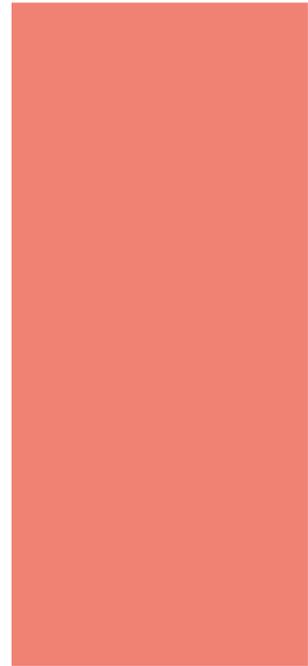
- Ensure that planning realises its full potential, unlocking land and sites, supporting more quality housing across all tenures and delivering the infrastructure required to support development;

- Streamline, simplify and improve current systems and remove unnecessary blockages in the decision-making process;
- Ensure that communities are more engaged in the process; and
- Continue to meet our statutory and international obligations in protecting and enhancing Scotland's nature and environment.

An independent panel, chaired by Sir Crawford Beveridge, was appointed in September 2015 to undertake the review of the Scottish planning system. The panel is due to publish its report in Spring 2016, which will take into account the responses to a wide-ranging consultation exercise that closed on 1 December 2015.

CHAPTER 2: EMPLOYMENT

2



Building a labour market that provides sustainable and well-paid jobs, whilst addressing long-standing barriers to employment and economic opportunity, is vital for reducing inequality and delivering inclusive growth.

Government has a central role to play in ensuring that people have the skills, support and opportunities to realise their full potential. In particular, the Scottish Government shares the European Commission's continued concern over youth employment and the long-term impacts that the recession has had on our young people.

This chapter sets out the actions being undertaken in Scotland to boost youth employment, improve young people's skills, support labour market participation and promote fair work. These actions cover the third CSR to the UK to address skills mismatches by increasing employers' engagement in the delivery of apprenticeships and reduce the number of young people with low basic skills. This

chapter also covers actions that support Europe 2020's 'Youth On The Move' flagship initiative.

Europe 2020 headline target:

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

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

CURRENT SCOTTISH PERFORMANCE

Table 2 sets out Scotland's current performance against the Europe 2020 employment target.

Table 2 – Current Scottish Performance Against Employment Indicators¹²

| Indicator | Current Level | Change Over Year | Reference Period |
|--|---------------|-------------------|------------------|
| Employment rate (population aged 20-64) | 76.4% | 1.4% pts increase | 2014 |
| Female employment rate (population aged 20-64) | 72.7% | 1.6% pts increase | 2014 |
| Male employment rate (population aged 20-64) | 80.4% | 0.6% pts increase | 2014 |

Scotland's 20-64 employment rates for both females and males increased over the year to 2014.

SUPPORTING YOUTH EMPLOYMENT *Actions to Support Youth Employment*

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

Developing the Young Workforce – Scotland's Youth Employment Strategy

The Scottish Government's approach to improving Scottish education, training and employer engagement with young people is set out in our 7-year programme, *Developing the Young Workforce – Scotland's Youth Employment Strategy* (DYW).¹³ DYW is a 7-year programme which aims to ensure that young people have access to a broader range of learning options, improve and extend careers advice and work experience, and ensure that skills and training provision is shaped and supported by employers.

The first DYW annual report¹⁴ was published in December 2015 and set out progress in year one, showing positive progress with the introduction of a careers service earlier in school, improved connections between businesses and schools and colleges through employer-led DYW groups, and new opportunities for school pupils to undertake learning – for example new Foundation Apprenticeships – while still at school.

The Scottish Government's vision is to have a world-class vocational education system in Scotland. To support the ambitions laid out in *Developing the Young Workforce*, we have taken a multi-faceted approach to supporting youth employment. This includes:

- A Modern Apprenticeship (MA) programme¹⁵ designed to be responsive to employer needs. 25,247 MA starts were delivered in 2014-15, and we have exceeded our target to deliver over 25,000 MAs each year, with more than 101,000 new opportunities delivered since 2011. Employers are highly satisfied, with 96 per cent saying that MA participants are better able to do their jobs after they completed the MA programme. The Scottish Government has set a target of delivering 30,000 MA places each year by 2020.
- In addition to high levels of support for new apprentices, through the Modern Apprenticeship programme the Scottish Government has also maintained the *Adopt an Apprentice* initiative to give apprentices affected by redundancy the best chance of completing their apprenticeship. Employers willing to take on a redundant apprentice receive a payment of £2,000 with employers in the oil and gas industry receiving £5,000. Through this initiative we have been able to support more than 2,225 apprentices back into work up until Q3 2015-16.
- *Opportunities For All*¹⁶ is the Scottish Government's commitment to an offer of an appropriate place in learning or training for all 16-19 year olds who

¹³ <http://www.gov.scot/Publications/2014/12/7750>

¹⁴ <http://www.gov.scot/Publications/2015/12/7463/downloads#res-1>

¹⁵ <http://www.skillsdevelopmentscotland.co.uk/our-services/modern-apprenticeships/>

¹⁶ <http://www.gov.scot/Resource/0040/00408815.pdf>

are not in education, employment or training. Showing progress towards this commitment, figures to March 2015 show that 91.7 per cent of school leavers were in a sustained positive destination (that is were participating in learning, training or work nine months after leaving school) , up from 90.4 per cent in 2014. Sustained positive destinations have continued to rise year on year from 84 per cent in 2007-08.

Youth Employment Scotland Fund

The Youth Employment Scotland Fund (YESF)¹⁷ has incentivised 10,000 additional and sustainable job opportunities for young people aged 16–29 across Scotland. A total of £25 million was available for YESF from the Scottish Government and European Social Fund. The programme, administered by Local Authorities (LAs), supported businesses with a threshold of 400 employees, including social enterprises and third sector employers, who were eligible to apply to the LA responsible for delivering the YESF in their area. The programme was available for jobs starts from 1 April 2013 to 30 June 2015. An evaluation of the programme is underway, with a final report expected in Spring 2016.

Scotland's Employer Recruitment Incentives have been refocused so that they remain relevant in an improving labour market. Scotland's Employer Recruitment Incentive ran from June 2015 to March 2016 to contribute to the additional costs of employing those young people who will continue to face barriers to employment. The programme

will run again in 2016-17 with a focus on tackling structural issues in the youth labour market with a focus on support groups such as disabled young people, care experienced, ex-military and young people with criminal convictions.

Employability Fund

To support activity that will help to develop the skills needed to secure a job or progress to more advanced forms of training, Skills Development Scotland will provide 11,650 training places in 2016-17 through the Employability Fund,¹⁸ working with Local Employability Partners. Since its introduction in 2013-14 the Employability fund has delivered over 40,000 training places, with 66 per cent of those participating reporting a positive outcome in 2014-15.

Employment Powers

From 1 April 2017, powers over some contracted employment services for disabled people and those at risk of long-term unemployment will be devolved to Scotland.¹⁹

The focus initially for the launch of our new service will be on the most disadvantaged people in the labour market, including those with a disability but we will continue to develop the service until 2020. To provide a good quality employment support service with reduced financial resources, we are developing better alignment and integration with existing services. This creates a real opportunity to provide targeted support to help people enter sustainable, fair employment.

¹⁷ <http://www.employabilityinscotland.com/policy-and-partnership/youth-employment/youth-employment-scotland-fund/>

¹⁸ <http://www.skillsdevelopmentscotland.co.uk/our-services/employability-fund/>

¹⁹ A consultation exercise took place last year to ensure that the new service meets the needs of our future clients. <http://www.gov.scot/Resource/0048/00481121.pdf>

PROMOTING FAIR WORK

As well as helping people to enter and remain in employment, a central priority of the Scottish Government is to encourage the private sector to adopt fair and inclusive workplace practices. A central part of *Scotland's Economic Strategy* is the Scottish Government's Fair Work agenda, encompassing job security, fair reward and opportunities for personal and workplace development. A key initiative working as part of the Scottish Government's Fair Work agenda is the Scottish Business Pledge, outlined in Box 2.

Fair Work Convention

A Fair Work Convention was established following the recommendations of the Working Together Review.²² The Convention has been tasked with providing independent advice to the Scottish Government on matters relating to innovation and productive workplaces, Fair Work and the Living Wage in Scotland to support the Scottish Government's objective to reduce inequality and promote diversity and equality. Following a period of extensive stakeholder engagement, the Convention will develop, promote and sustain a fair employment and workplace framework and advise the Scottish Government on issues relating to Fair Work which are within the scope of the current devolution settlement.

↓ Box 2: Scottish Business Pledge

The Scottish Business Pledge,²⁰ launched in May 2015, is a shared mission between the Scottish Government and businesses, with the goal of boosting productivity, competitiveness, employment, fair work and workforce engagement and development. By making their Pledge, companies demonstrate their commitment to shared values and to deliver them through their actions and future plans.

The Pledge has nine components:

1. Paying the Living Wage²¹
2. Not using exploitative zero-hours contracts
3. Supporting progressive workforce engagement
4. Investing in youth
5. Making progress on diversity and gender balance
6. Committing to an innovation programme
7. Pursuing international business opportunities
8. Playing an active role in the community
9. Committing to prompt payment

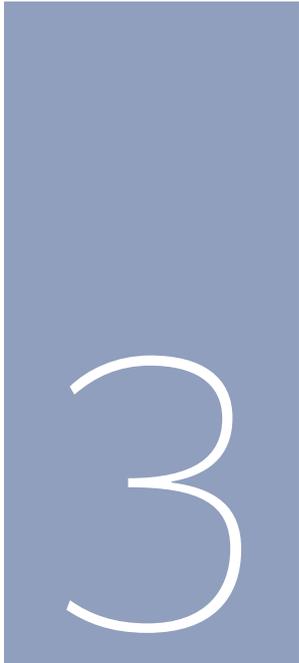
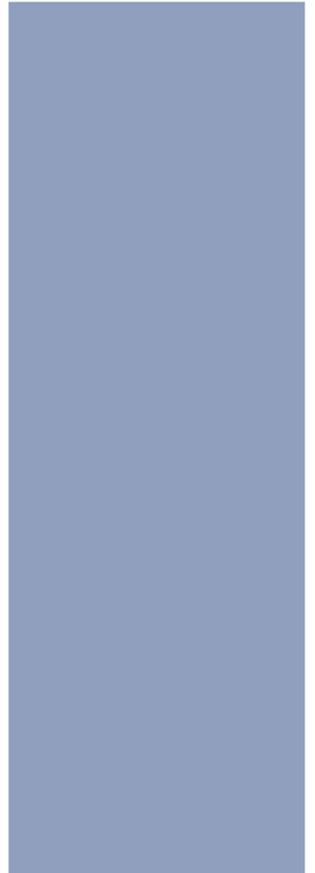
Up to February 2016, over 220 Scottish companies had signed up to the Scottish Business Pledge. The Scottish Government's Programme for Scotland 2015-16 sets out a commitment to continue raising awareness of the Pledge and encouraging more businesses to choose this route to productivity and business growth; fostering a business-led Pledge network to provide opportunities for companies to come together to learn from each other; and working with trade and business bodies to explore sectoral challenges and how they might be addressed.

²⁰ <https://scottishbusinesspledge.scot/>

²¹ £8.25 per hour <http://www.lboro.ac.uk/research/crsp/mis/thelivingwage/>

²² <http://www.gov.scot/Resource/0045/00457659.pdf>

CHAPTER 3: INNOVATION AND R&D



Innovation is vital for improving economic growth, and Scotland has many strengths in this area. It has a strong commitment to research and science, a highly-skilled workforce and world-renowned universities producing high-impact research.

This chapter outlines the actions taking place throughout Scotland aimed at fostering a culture of innovation and R&D. It also highlights action that create wider support for innovation through the business environment, supporting entrepreneurship, and developing Scotland's digital economy, highlighting the Scottish Government's support for the EU's flagship initiatives, 'Innovation Union' and 'Digital Agenda for Europe'.

Europe 2020 headline target:

Raising the combined public and private levels in research and development to 3 per cent of GDP.

CURRENT SCOTTISH PERFORMANCE

Scotland's innovation performance is measured through a range of indicators, with Table 3 outlining the current performance.

Table 3 – Current Scottish Performance Against Innovation and R&D Indicators

| Indicator | Current Level | Change Over Year | Reference Period |
|--|---|--|------------------|
| Gross Expenditure on Research and Development ²³ | 1.55% of Scottish GDP | 0.06% pts increase | 2013 |
| Weighted index of Scottish Universities' Income from Knowledge Exchange Activities ²⁴ | 9.2% above the baseline year of 2007-08 | 2.4% below the previous year | 2013-14 |
| Proportion of innovation active firms in Scotland ²⁵ | 51% | 7.0% pts above previous reference period (2010-12) | 2012-14 |

²³ <http://www.gov.scot/Topics/Statistics/Browse/Business/RD>

²⁴ <http://www.gov.scot/About/Performance/scotPerforms/indicator/knowledge>

²⁵ [UK Innovation Survey 2015](#)

As shown in Table 3, Scotland is performing well against each of the innovation indicators. Over the year to 2013, Scotland's Gross Expenditure on R&D as a share of GDP increased; the share of Scottish Universities' income from knowledge exchange activities in 2013-14 is well above the 2007-08 baseline level, despite falling slightly since the previous year; and the proportion of innovation active firms in 2010-12 was 10 percentage points above the previous reference period (2008-10)

HORIZON 2020

Scotland is an important participant in *Horizon 2020*²⁶ – the European Union's programme for Research and Innovation, with the latest data to October 2015 indicating that Scottish organisations secured in excess of €158 million, representing around 11 per cent of total funding awarded to UK organisations.²⁷ Scottish Higher Education organisations and research institutes have been the main beneficiaries, securing over 83 per cent (€132 million) of all funding awarded to Scottish organisations.

The *Innovation Scotland Partnership Group* (ISPG) oversees the delivery and promotion of EU research and innovation programmes in Scotland. This ensures that EU research and innovation opportunities and activities remain a priority area for Scotland. Membership of the Group comprises representatives from innovation, science, academic research and European policy teams from the Scottish Government, the Scottish Funding Council, Scottish Enterprise, Highlands and Islands Enterprise, Scotland Europa and Enterprise Europe Scotland alongside representation from UK organisations including Innovate UK, Big Innovation Centre, and Nesta.

BOOSTING INNOVATION AND COMMERCIALISATION IN SCOTLAND

Scotland's Economic Strategy emphasises the importance of innovation as a key driver of sustainable economic growth. Our approach is set out in *Scotland CAN DO*,²⁸ a framework which sets out the priority areas for Scotland to become a world-leading innovative and entrepreneurial nation. A range of actions are being taken forward to achieve this vision:

- The *Scotland CAN DO Innovation Forum*,²⁹ which draws its membership from the Scottish Government, businesses, and third sector partners, is focusing on increasing the contribution that innovation can make to the economy through driving up levels of business innovation. This is supported by the Innovation Scotland Policy Forum (ISF),³⁰ a delivery group of the Scotland CAN DO Innovation Forum, which is working to enhance university-business engagement and greater collaboration between business and academia.
- Scotland's network of Innovation Centres³¹ bring together university staff, research institutes, businesses and others to enhance innovation and entrepreneurship across Scotland's key sectors. There are currently eight Centres in Scotland, collectively spanning across Stratified Medicine, Sensors and Imaging Systems, Digital Health, Industrial Biotechnology, Oil and Gas, Big Data, Constructions and Aquaculture. The Centres are being supported by up to £120 million of funding from the Scottish Government over 2013-19, which is being administered by the Scottish Funding Council.

26 <http://ec.europa.eu/programmes/horizon2020/>

27 Figures based on data received via BIS: 2015/10/29 on money awarded across Europe

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

29 <http://www.gov.scot/Topics/Economy/candoinnovationforum>

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

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

- The Scottish Government's £1 million *Innovation Challenge Fund* aims to encourage collaborative multi-disciplinary responses to Scotland's industrial and societal challenges. The Challenge calls for joint working across the Innovation Centres to deliver activities that demonstrate feasibility and routes to development in solutions to key issues. The first year of the challenge is 2015-16, and the focus of this year's fund is 'Transforming Cancer Care in Scotland' with three Innovation Centres working on this Cancer Care challenge in partnership with the Chief Scientist Office and the NHS. In future years, it is envisaged that the fund will focus on other challenges of national importance to Scotland.
- We are continuing to provide support for *Interface*³² the free, national service which match-makes businesses with research resources in Scotland's Universities and research centres. Now in its tenth year, Interface has introduced over 2,149 businesses to academic partners, resulting in 1,250 company and university collaborative projects initiated. From these services 79 per cent of Interface client companies, have or will, increase their turnover. New activities through Interface include the development of an online specialist facilities platform to further demonstrate the range of opportunities available to businesses and to create pathways to simplify the current innovation support landscape for SMEs.
- In addition to supporting innovation activity in Scotland, the Scottish Government is increasing its support of international collaboration by piloting Innovation and Investment Hubs in Dublin, London and Brussels. The Hubs, supported by a commitment of £3.5 million through the Scottish Government's Budget 2016-17, are tasked with securing research and innovation partners, investors in Scottish innovation, and building on established exporting and inward investment expertise.

Joint Working with International Partners

Scotland continues to be a leading member of the Vanguard Initiative³³ and has had a major role in shaping its work and direction. The Vanguard Initiative is pioneering new approaches to support EU industry internationalisation and competitiveness. Participating regions are working together to develop joint demonstration cases in key industry sectors, the final goal of which is full scale commercialisation. Vanguard Initiative regions work with the European Commission to highlight the challenges that exist and to identify solutions that can be implemented on a multi-level basis. Information on Scotland's joint work with other EU regions can be found in Box 3.

³² <http://www.interface-online.org.uk>

³³ <http://www.s3vanguardinitiative.eu/>

↓ Box 3: Scotland's Participation in the Vanguard Initiative

Scotland participates in three of the five joint demonstration cases that are driving forward the work of the Vanguard Initiative. These projects include demonstration relating to:

- The Bioeconomy – a project aiming to demonstrate innovative uses of non-food Biomass; and
- Efficient and Sustainable Manufacturing – a project aiming to demonstrate de- and re-manufacturing and the reuse of products, and environmentally-efficient manufacturing processes and solutions.

Also, Scotland jointly leads a pilot project with the Basque Country on the development of Advanced Manufacturing for Energy Related Applications in Harsh Environments.

The aim is to strengthen a sector of European manufacturing that is well positioned to dominate global markets. After an initial mapping exercise and development of a technology roadmap a database was created with over 300 companies and organisations. Regional experts have been identified to lead in key areas of interest and propositions from key actors were further developed at a matchmaking event in Brussels.

The matchmaking event was held on 25 February 2016, supported by €400,000 of funding by DG Regio. The event was used to move the joint demonstration cases further forward and brought together Regional Technology Offices, companies and investors in focused partnering sessions as well as parallel sessions including one from the European Investment Bank on the European Fund for Strategic Investment (EFSI).

ENCOURAGING ENTREPRENEURSHIP AND BUILDING A SUPPORTIVE BUSINESS ENVIRONMENT

As well as providing direct support for innovation, the Scottish Government is committed to ensuring that our business environment is supportive of new ventures, to help encourage companies to undertake a range of innovation and research activities. Our approach includes, for example, improving access to finance, offering start-up support and advice for new businesses, and encouraging entrepreneurship.

To support business development, *Business Gateway*³⁴ offers a first point of contact for all publicly-funded advice to potential pre-start, early stage and established businesses in Scotland. In 2014-15, Business Gateway assisted in the formation of 10,103 new businesses.

In addition, the enhancement of the Business Gateway service with Local Advisory services and Local Expert Help funded through the SME Growth Programme has supported a further 9,500 businesses, giving access to expertise and local knowledge that may not previously have been available to these companies. New funding through ERDF has recently been agreed to help Business Gateway focus on growth, aiming to support over 30,000 businesses in the period 2016-18 with financial and non-financial support and helping to generate almost 10,000 increased jobs.

Encouraging Entrepreneurship

To help encourage entrepreneurial activity from a young age, *Scotland's Enterprising Schools*³⁵ Project offers a one-stop shop to help schools develop a whole-school approach to entrepreneurial thinking.

Schools are encouraged to self-evaluate using a Professional Reflection tool to help them measure where they are on their enterprise journey and set actions for improvement. Scotland's Enterprising Schools was launched in September 2015 with £300,000 of funding support, and already has 80 educators as members of the professional learning community.

The Scottish Encouraging Dynamic Growth Entrepreneurs (EDGE) Fund³⁶ is continuing to support and encourage entrepreneurial activity among early-stage businesses, delivering investments of up to £100,000 to those with most growth potential. Over the seven rounds of funding completed to date, 479 new Scottish jobs have been created, £21.6 million of additional turnover has been generated and £18.7 million of additional funding has been created.

Access to Finance

The ability for SMEs to access finance is important for funding business investment, ensuring businesses meet their full growth potential and encouraging business start-ups. Support for this includes:

- The *SME holding Fund*, which will provide microcredit finance of up to £25,000, loans of up to £100,000, and equity investment of up to £2 million to Scottish SMEs, through £40 million of European Regional Development Fund (ERDF) funding. The Fund is in the process of appointing delivery partners from the public and private sectors, who will match the European money on a 60:40 basis, thereby bringing an additional £60 million, providing in total at least £100 million to be available to SMEs in Scotland to fund their growth and export ambitions over the next 3 years.

³⁴ <http://www.bgateway.com/>

³⁵ <https://blogs.glowscotland.org.uk/glowblogs/enterprisingschools/>

³⁶ <http://www.scotedge.com/>

- The *Scottish Investment Bank*, which offers risk capital and debt finance to new, innovative, technology-based companies. In 2014-15 SIB invested £66.5 million in 155 companies, leveraging additional investment of £99 million for the private sector. The £113 million *Scottish Loan Fund*, which provides loan finance to growth and export-oriented companies through the SIB, has distributed over £61.2 million to 29 companies to date.

DEVELOPING DIGITAL INFRASTRUCTURE

Scotland's Economic Strategy emphasises the need to invest in our digital infrastructure to improve connectivity, helping our cities, towns and regions to drive growth and compete internationally.

The *Superfast Scotland* projects extended access to superfast broadband infrastructure to 85 per cent of premises across Scotland by December 2015, and will extend to 95 per cent by 2017-18. These include the £146 million Highlands and Islands project, and the Rest of Scotland project, which is supported

by around £157.6 million of public sector funding alongside investment of £106.7 million from BT.

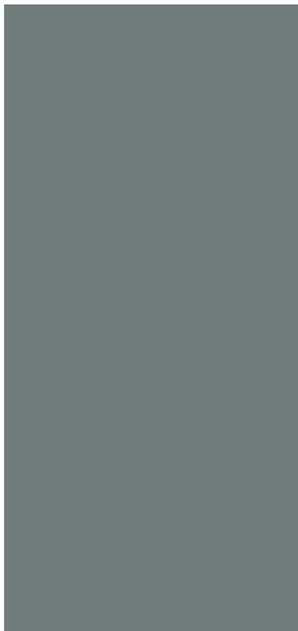
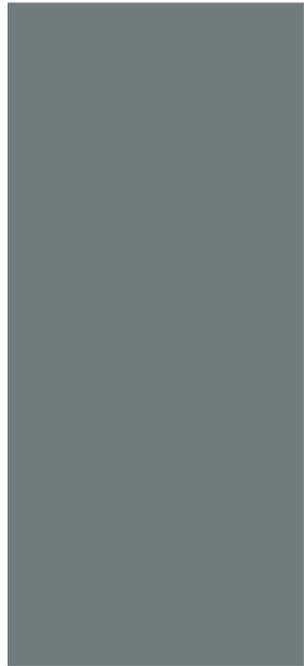
We are also taking action to improve the use of digital connectivity in the delivery of public services. The first major partnership project in the digital delivery of public services, the *Scottish Wide Area Network (SWAN)*³⁷ is delivering cost efficiencies for public sector organisations by aggregating demand for a single public services communications network in Scotland. More than 5,000 sites are now connected to SWAN and 18 organisations are using or have signed up to use the service. In addition, discussions are underway with a further 48 organisations about their future use of SWAN.

In addition, the Digital Transformation Service³⁸ has been established to enable Scottish Central Government to initiate effectively designed digital and ICT projects. Attracting the skills we need is one of the biggest barriers we face and this service is designed explicitly to allow us to develop and deploy our digital talent to greatest effect across the whole of Central Government.

³⁷ <http://www.gov.scot/Topics/Economy/digital/digitalservices/strategy>

³⁸ <http://www.digitalscotland.org/digital-transformation-service/>

CHAPTER 4: CLIMATE CHANGE, LOW CARBON AND RESOURCE EFFICIENCY



Securing the transition to a lower carbon, more resource-efficient economy is central to delivering growth that is sustainable across Scotland and across generations.

Scotland's Economic Strategy emphasises the importance of ensuring that Scotland protects and nurtures its natural resources and explores the opportunities offered by the transition to more resource efficient, lower carbon economy.

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

Europe 2020 headline targets:

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

CURRENT SCOTTISH PERFORMANCE

The Scottish Government has established a range of targets which are focused on driving Scotland's transition to a low carbon economy. Scotland's current performance against these targets is presented in Table 4.

Table 4 – Current Scottish Performance Against Transition to a Low Carbon Economy Indicators

| Indicator | Target | Current Level | Change Over Year | Reference Period |
|---|---|--|--|------------------|
| Greenhouse Gas Emissions ³⁹ | Reduce emissions by at least 42% by 2020 and at least 80% by 2050, compared to a 1990 base year | 38.4% reduction from 1990 to 2013, after taking account of trading in the EU Emissions Trading System (EU ETS) | 14.0% decrease in emissions, after taking account of trading in the EU Emissions Trading System (EU ETS) | 2013 |
| Indigenous Renewable Energy Sources ⁴⁰ | Generate the equivalent of 100% of gross electricity consumption from renewable sources by 2020 | 49.7% | 5.3% pts increase | 2014 |
| Heat Demand ⁴¹ | 11% of Scotland's heat demand from renewables by 2020 | 2.7% | 0.3% pts increase | 2013 |
| Energy Efficiency ⁴² | Reduce final energy end-use consumption by 12% by 2020 (against a 2005-2007 baseline) | 14.1% lower than baseline | 2.0% pts decrease in consumption | 2013 |

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

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

41 <http://www.gov.scot/Topics/Statistics/Browse/Business/Energy/EIS2016>

42 *ibid*

Scotland is performing well against each of its low carbon targets. As shown in Table 4, Scotland is on track to meet its own 42 per cent greenhouse gas emissions reduction target, with progress among the leading countries in Western Europe; Scotland almost met its interim target to produce 50 per cent of its gross electricity consumption from renewable sources a year early; final energy end-use consumption is decreasing; and the share of Scotland's heat demand from renewables is increasing.

OPPORTUNITIES FROM A LOW CARBON ECONOMY

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

Support for Renewable Energy Technologies

To support developments in renewable energy, the £103 million *Renewable Energy Investment Fund* (REIF) was established to provide commercial loans and equity, particularly in the marine and community sectors. To date, REIF has invested £37.1 million in marine energy projects with further investments planned. This includes over £1.5 million to support the largest wholly community-owned wind farm in the UK (on the Isle of Lewis).

With the support of REIF, the Scottish public sector has invested £23 million in the MeyGen project, developed by Atlantis Resources. Meygen is the largest planned tidal development project in the world and will have 398MW of installed capacity when fully constructed.

The Scottish Government set an ambitious target in 2011 for 500MW of community and locally-owned renewables to be operational by 2020. This has been met 5 years early. By the end of September 2015, an estimated 508MW of community and locally-owned energy capacity was operational in Scotland, with 62MW of this under direct community ownership. It is estimated that achieving this target could be worth up to £2.2 billion to Scottish communities and rurally-owned businesses over the lifetime of those projects.⁴³

We are helping to cut the cost of offshore wind by at least 10 per cent through £2.2 million of investment in the Carbon Trust's Offshore Wind Accelerator Programme⁴⁴ over 2014-15 to 2015-16. The investment will be used to encourage international collaboration between the world's leading offshore wind developers; share knowledge on design and operation of offshore wind technology; and support the commercialisation of floating offshore wind turbines for Scottish waters.

Local Energy Challenge Fund

To support community involvement in the supply of renewable energy, the *Local Energy Challenge Fund* will support large-scale low carbon demonstrator projects that link local energy generation to local energy use. There have been two rounds of the Challenge Fund since its inception in August 2014. The first round has delivered four innovative projects which will inspire similar projects across the country. The second round of projects will progress from feasibility to capital spend during 2016. The £500,000 development and feasibility support for this second round has been provided through the ESF-supported *Low Carbon Infrastructure Transition Programme* (LCITP). More information on the LCITP is provided in Box 4.

43 Source: Scottish Government's Community Energy Policy Statement, September 2015: <http://www.gov.scot/Resource/0048/00485122.pdf>

44 <https://www.carbontrust.com/about-us/press/2015/02/offshore-wind-accelerator-publishes-pioneering-guidance-cable-burial-risk-management/>

↓ Box 4: Low Carbon Infrastructure Transition Programme

The Low Carbon Infrastructure Transition Programme (LCITP)⁴⁵ is a working partnership between the Scottish Government, Scottish Enterprise, Highlands and Islands Enterprise, Scottish Futures Trust and sector specialists, designed to support the development and acceleration of low carbon infrastructure projects to investment grade business cases allowing them to secure existing streams of public and private capital finance.

This is supported by the 2014-20 European Regional Development Fund (ERDF) programme and is worth £76 million (of which £32.9 million is from the ERDF grant), over 2015-18.

To date, LCITP has funded a number of projects across private, public and

community sectors, and has held two specific calls for geothermal energy projects and water-source heat pump projects. These calls have accelerated the deployment of these technologies in the Scottish context.

Through the LCITP, the Water Source Heat Pumps Challenge Fund has been set up to support district heating schemes in Scotland. The fund is made up of two elements: £375,000 to support the development of high-quality and comprehensive investment grade business proposals (up to £75,000 per project), and up to £2 million financial support for a demonstrator project. It is intended that both elements of the Challenge Fund will be concluded before the end of the 2016-17 financial year.

MAXIMISING THE SOCIAL AND ECONOMIC OPPORTUNITIES OF ENERGY AND RESOURCE EFFICIENCY

Achieving high levels of resource efficiency, cutting waste out of processes and adopting more circular behaviours (such as design for reuse and repair) is critical to improving productivity and competitiveness, and reducing the carbon intensity of economic activity.

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

Circular Economy

The Scottish Government welcomes the European Commission's continuing emphasis on making the move towards a more circular economy, as set out in the Commission's December 2015 communication, *Closing the Loop*.⁴⁶

The Scottish Government's circular economy *Making Things Last*, published in February 2016, sets out the priorities for moving towards a more circular economy – where products and materials are kept in high value use for as long as possible. The strategy outlines the benefits of a more circular approach to the Environment, the Economy, and Communities.

⁴⁵ <http://www.gov.scot/Topics/Business-Industry/Energy/Action/lowcarbon/LCITP>

⁴⁶ <http://ec.europa.eu/environment/circular-economy/>

The strategy sets a new target to cut food waste by a third by 2025 – the first national target of its kind in Europe – with actions to help both businesses and households achieve these major savings.

Our circular economy approach places a greater emphasis on product design, re-use and repair. Scotland’s enterprise agencies and Zero Waste Scotland⁴⁷ will make circular economy approaches a new focus for

innovation support and will establish a new support service to help businesses adopt these approaches. The Scottish Institute of Remanufacture⁴⁸ is already working to increase collaboration and innovation among remanufacturing businesses – with wider support led by the Scottish Manufacturing Advisory Service⁴⁹ and Zero Waste Scotland as an integral part of Scotland’s new Manufacturing Action Plan.⁵⁰

↓ **Box 5: Supporting the Move Towards a More Circular Economy**

In February 2016 the First Minister announced a £70 million programme of investment, including some £30 million of ERDF funding, to support a more circular economy which will be delivered in partnership between Zero Waste Scotland and Scottish Enterprise.

This includes a Circular Economy Investment Fund⁵¹ which will support the development of innovative technologies, business models and infrastructure that will typically be at proof of concept state through to scoping and pre-feasibility and commercialisation. Funding will help to accelerate these products, practices, developments and business models towards widespread adoption and implementation. It will also encourage the development of infrastructure utilising proven technology, to stimulate the

collection and reprocessing of materials, which are currently commercially unavailable in Scotland.

The programme also includes a new Circular Economy Service, which will offer a fully integrated, whole supply chain approach to businesses seeking to redesign processes or products and small- to medium-sized businesses within the supply chains of larger companies. The priority sectors for the service will be the built environment (construction and demolition), energy infrastructure (Oil and Gas Decommissioning) and the bioeconomy (Food and Drink). SMEs that are eligible for support will receive an agreed level of specialist development support to help progress their idea or business opportunity to the next stage.

47 <http://www.zerowastescotland.org.uk>

48 <http://www.scot-reman.ac.uk/>

49 <http://www.gov.scot/Topics/Business-Industry/support/17795/SMAS>

50 <http://www.scottish-enterprise.com/knowledge-hub/articles/insight/scotlands-manufacturing-action-plan>

51 <http://www.zerowastescotland.org.uk/content/circular-economy-investment-fund-and-service>

Heat and Energy Efficiency

The *Heat Policy Statement*⁵² was published in June 2015, which sets out the Scottish Government's framework for achieving a resilient heat system which transitions to be an affordable low carbon heat system for households, organisations and industry and which seizes the economic opportunities that this transformation offers. The *Heat Policy Statement* sets out the Scottish Government's heat hierarchy, a step-phased approach, firstly reducing the need for heat for example through better insulated buildings; secondly by ensuring an efficient heat supply, such as development of the district heating sector and the use of unused excess heat through heat recovery, and lastly through the effective use of renewable or low carbon heat sources. A range of actions are being taken forward to make this transition.

- Our national retrofit programme, *Home Energy Efficiency Programmes for Scotland* (HEEPS), is helping us meet our fuel poverty and climate change targets and enable Scottish households and businesses to get maximum benefit from energy efficiency works and other investment. The Scottish Government allocated £119 million for HEEPS in 2015-16, and in 2016-17 over £103 million will be made available to tackle fuel poverty and improve energy efficiency. This funding will be used to help install energy efficiency measures, including solid wall insulation, in 14,000 homes and will build on the 900,000 energy efficiency measures delivered since 2009.
- *The District Heating Loan Fund*⁵³ offers loans to support the development of district heating networks in Scotland. The scheme is available to provide loans for both low carbon and renewable technologies in order to overcome a range of infrastructural issues and costs of developing these projects. Since 2011, the fund has provided loans totalling around £7 million to 33 projects.
- To help support the development and growth of a geothermal energy industry in Scotland, the *Geothermal Energy Challenge Fund*⁵⁴ was launched in March 2015 to support the capacity of Scotland's geothermal resources. £185,235 has been awarded to four feasibility studies exploring the geothermal potential of sites in Fife, North Lanarkshire, Aberdeen, and Aberdeenshire to meet the energy needs of local communities, and the feasibility studies are expected to report in mid-2016.

52 <http://www.gov.scot/Publications/2015/06/6679>

53 <http://www.energysavingtrust.org.uk/district-heating-loan>

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

CHAPTER 5: LEARNING AND SKILLS



5

Scotland's people are our greatest economic asset, and a highly-skilled and productive workforce is essential for improving economic performance.

The Scottish Government shares the European Commission's ambition of improving education levels, and *Scotland's Economic Strategy* highlights the importance of investment in education and skills in driving long-term improvements in competitiveness and in creating economic opportunities for all.

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

Europe 2020 headline targets:

Improving education levels, in particular by:

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

CURRENT SCOTTISH PERFORMANCE

Current Scottish performance against the headline EU targets and the relevant National Indicators to education is presented in Table 5.

Table 5 – Current Scottish Performance Against Education Indicators

| Indicator | Current Level | Change Over Year | Reference Period |
|--|---|---|------------------|
| Proportion of 18-24 population who are early leavers from education and training ⁵⁵ | 12.0% | 1.0% pts decrease in early school leavers | 2014 |
| Share of the population aged 30-34 having completed tertiary education ⁵⁶ | 56.4% | 3.7% pts increase | 2014 |
| The proportion of young people in learning, training or work ⁵⁷ | 91.5% of school leavers were in positive destinations | 1.5% pts increase | 2014-15 |
| The proportion of graduates in positive destinations 6 months after graduating ⁵⁸ | 67.5% | 1.8% pts increase | 2013-14 |
| The proportion of working age adults that have low or no educational qualifications (SCQF Level 4 qualifications or below) ⁵⁹ | 11.5% | 1.1% pts decrease in proportion of adults with low or no educational qualifications | 2014 |

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

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

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

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

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

Scotland continues to perform well against each of its education indicators, as indicated in Table 5. The share of the population aged 30-34 having completed tertiary education increased over the year and well exceeds the Commission's target of 40 per cent; the proportion of early school leavers decreased over the year to 2014 and is close to the Commission's target of 10 per cent; educational qualifications amongst adults improved over the year to 2014; and the proportion of graduates in positive destinations increased over the year to 2013-14.

RAISING ATTAINMENT AND ADDRESSING INEQUALITIES OF EDUCATIONAL OUTCOME

The Scottish Government is committed to raising attainment among all children, but particularly those from low income backgrounds. This informs all of our policies that affect children and young people.

National Improvement Framework for Scottish Education

On 6 January 2016, the Scottish Government launched the *National Improvement Framework for Scottish Education*,⁶⁰ which sets out the Scottish Government's vision and priorities for our children's progress in learning. The vision is made up of:

- **Excellence through raising attainment:** ensuring every child achieves the highest standards in literacy and numeracy, and the range of skills, qualifications and achievements to allow them to succeed; and
- **Achieving equity:** ensuring every child has the same opportunity to succeed regardless of their background.

The current priorities for the National Improvement Framework are:

- Improving attainment, particularly in literacy and numeracy;
- Closing the attainment gap between the most and least disadvantaged children;
- Improvement in children and young people's health and wellbeing; and
- Improvement in employability skills and sustained, positive school leaver destinations for all young people.

Actions for 2016 as part of the Framework include development of national standardised assessments in primary and early years of secondary school to inform teacher judgement of children's progress. Over time, the Framework will provide a level of robust, consistent and transparent data, to extend our understanding of what works to drive improvements across all parts of the education system.

Scottish Attainment Challenge

Tackling the attainment gap requires challenging everyone involved in Scottish education to relentlessly focus efforts on reducing the impacts of deprivation on educational outcomes.

The *Scottish Attainment Challenge*⁶¹ will accelerate targeted improvements in literacy, numeracy and health and wellbeing for children in our most deprived communities. The Challenge is funded through the Attainment Scotland Fund. In February 2016, the Deputy First Minister announced plans to double the amount of funding allocated to the Attainment Scotland Fund over the next 3 years from £80 million to £160 million, bringing the total investment over 2015-19 to £180 million. As part of the fund, all schools and Local Authorities have access

⁶⁰ <http://www.gov.scot/Publications/2016/01/8314>

⁶¹ <http://www.educationscotland.gov.uk/inclusionandequalities/sac/index.asp>

to a named Attainment Advisor for each Local Authority, a virtual National Hub of educational expertise and a £1.5 million Innovation Fund which will support other schools (including Secondary schools) across Scotland to explore and develop innovative approaches to raising attainment.

Seven Local Authorities have been selected as the first 'Challenge' Authorities, and each is developing a bespoke Improvement Plan to put in place effective interventions in education. The initial focus of the fund has been in Glasgow, Dundee, Inverclyde, West Dunbartonshire, North Ayrshire, Clackmannanshire and North Lanarkshire. A further 57 schools in 14 other Local Authorities have been selected as the next tranche of the Attainment Fund, providing support for the most hard pressed local communities in Scotland.

SUPPORTING STUDENTS AND WIDENING ACCESS

The Scottish Government is committed to developing a highly-skilled and educated workforce, and we are taking steps to ensure that people from all backgrounds have the support to reach their full potential, including:

- In contrast to other parts of the UK, the Scottish Government has retained the Education Maintenance Allowance⁶² (EMA) to provide financial support to eligible 16-19 year olds from the lowest income families to enable them to continue to stay in education and learning beyond the school leaving age. In academic year 2013-14, £28.2 million of funding was provided to support 34,955 young people in schools and colleges. In January 2016, the programme was expanded to include part-time non-advanced college courses and the income thresholds were increased.
- The Scottish Government is committed to providing student support. The current funding package includes annual minimum income of £7,625, through a combination of bursaries and loans, for students with a family income of less than £17,000 (rising to £19,000 in academic year 2016-17), and a student loan of £4,750 a year which all students are eligible for. Part-time students with a personal income of less than £25,000 are eligible to receive a grant towards tuition-fee costs.
- In addition to an existing loan of up to £3,400 toward the cost of their tuition fees, from 2015-16, postgraduates on eligible courses have been able to apply for a loan of up to £4,500 a year to help with living costs. Over the academic year 2014-15, over £780 million⁶³ of student support, covering tuition fees, grants, bursaries and authorised loans, was allocated through the Student Awards Agency for Scotland (SAAS) to 139,370 full-time higher education students.
- Ensuring that access to higher education remains free for Scottish-domiciled students, investing over £1 billion in Scotland's higher education sector in 2016-17 to support this. In addition, the Scottish Government's Budget for 2016-17 confirmed that college funding levels would be maintained at 2015-16 levels to build on the sector's strengths in delivery of relevant, high-quality learning connected to the needs of their regions.

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

62 <http://www.gov.scot/Topics/Statistics/Browse/Lifelong-learning/EMAtrend>

63 http://www.saas.gov.uk/_forms/statistics_1415.pdf

The Commission on Widening Access,⁶⁴ made up of key figures from business, education, early years and student representatives, was established to advise on meaningful milestones, targets and activities that will assist in accelerating progress and identify where more action is required to realise our vision. The Commission published its final report, *A Blueprint for Fairness*⁶⁵ on 14 March 2016. The Report made a series of 34 recommendations to help ensure that a student's background is not a barrier to university access, including: setting targets

for the share of students from deprived areas enrolling in Higher Education; appointing a Commissioner of Fair Access; and new admissions thresholds for students from the most deprived backgrounds. The Scottish Government has accepted the Commission's recommended targets, and will set out its response to the other recommendations in due course.

Details of a programme that provided support to offer places in higher education to young people in the Highlands and Islands can be found in Box 6.

↓ **Box 6: Investing in Recovery – Delivering Higher Level Qualifications to Support Economic Development**

Investing in Recovery (IIR) was a 3-year project delivered by the University of the Highlands and Islands (UHI) with support from the Highlands & Islands Scotland European Social Fund 2007-13 programme. It was designed to ease the effects of the 2008-09 recession in the region and developed in response to the European Commission's Recovery Plan. The project involved funding for additional full and part-time student places, supporting in particular, young people to develop skills in key sectors. With a total project budget of £12.4 million, including a grant from ESF of £7 million, 2,074 additional places were provided over three academic years from 2010-11 to 2012-13.

A significant upskilling was evidenced with an increase in the qualification levels of project participants. At the start of the project 76 per cent of participants reported qualifications at (SCQF) Level 3 or below. At project closure, participants at Level 3 or below had fallen to 2 per cent with a significant increase in participants with Level 5 and 6 qualifications from 13 per cent to 95 per cent. Courses

identified as key to economic recovery were studied including HNC/HND and degree courses in Business and Management, Engineering, Marine Science, Oral Health Science and Adventure Tourism.

An impact study, carried out 6 months after the end of the project, demonstrated extremely positive outcomes including:

- Almost half of respondents declared that they were employed, either full-time, part-time or in self-employment;
- 83 per cent of respondents who were in full time employment declared they were employed in the Highlands and Islands, with a further 13 per cent employed in the rest of Scotland; and
- 45 per cent of respondents were occupied in full-time study, training and research.

As a result of these positive outcomes, additional funded numbers have now been incorporated in SFC funding, enabling considerable increase in size from just under 3,500 FTEs in 2010-11 to an expected 6,000 in 2015-16.

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

65 <http://www.gov.scot/Publications/2016/03/1439/downloads>

INVESTING IN SCOTLAND'S LEARNING ENVIRONMENT

ERASMUS+

The Scottish Government is committed to increasing student and staff mobility, and promoting Scotland as a learning nation. Scotland's participation in ERASMUS+, the European Union programme for education, training, youth and sport for 2014-2020, helps to raise the profile of Scotland as a place to live, work and study in key overseas markets and to showcase the best of Scottish higher education to the world.

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

Detail of an initiative to help teachers from Scotland improve their Modern Languages ability through the ERASMUS+ programme can be found in Box 7.

📌 Box 7: Le Français en Ecosse (LFEE) Europe – Languages for Education

LFEE Europe is an independent Teacher Training Centre based in Edinburgh since 1999, specialising in the teaching of Modern Languages. LFEE offer a range of educational and training services for learners and Educators within Scotland and in the rest of Europe.

LFEE Europe receives the support of the French Embassy in the UK and the General Teaching Council in Scotland as well as support from National European Agencies and from the European Centre for Modern Languages. As well as this support, LFEE Europe works with strategic partners such as Education Scotland, Scotland's National Centre for Languages (SCILT), Scottish Local Authorities, the Confucius Institute for Scotland's Schools (CISS), Her Majesty's Inspectorate of Education (HMIE) and, in France, the *DAREICs* (International and European Cooperation Bureau in Education) and French Local Education Authorities (*Académies*).

The training programmes include Immersion Courses for Primary and Secondary teachers in France, Spain and Scotland. These courses provide a balanced combination of language, methodology and cultural activities for practitioners. Over the past 10 years more than 3,000 teachers coming from all over Europe have participated in LFEE immersion courses. Participants receive funding from the European Union Mobility Programme (currently ERASMUS+) which covers all expenses: travel, course fee, subsistence and accommodation.

Over 70 per cent of participants on the Immersion Courses come from Scotland. Over the past 4 years, 250 teachers from Scotland have been able to attend, every year, a course in France or Spain under the ERASMUS+ programme. Recently, LFEE courses have been accredited by the General Teaching Council for Scotland (GTCS).

Teaching Scotland's Future

Significant progress has been made towards implementing the recommendations of *Teaching Scotland's Future* (TSF)⁶⁶ – a report which was commissioned to review teacher education in Scotland, and ensure that the teaching profession had the skills necessary to successfully support the new Scottish education curriculum. For example over 3,000 teachers have benefited from new opportunities to gain Masters qualifications over the past 4 years, with the support of £4 million funding from the Scottish Government. A new Qualification for Headship has been developed that will prepare teachers for undertaking the role of headteacher. The first group of 145 teachers undertaking the qualification started studying in September 2015 at seven Scottish universities and will complete the programme later this year.

Scotland's Schools for the Future Programme

As well as providing support for teachers, the Scottish Government is also investing in Scotland's school infrastructure. The current phase of the Scottish Government's £1.8 billion school building programme, Scotland's Schools for the Future,⁶⁷ will see the construction or refurbishment of over 112 schools in Scotland, benefiting over 60,000 pupils, by March 2020. These schools will be built in every part of Scotland, in partnership with Local Authorities. To date, there are 23 schools which are operational (15 Primary, one Additional Support Needs and seven Secondary). There are 30 schools currently in construction (14 Secondary, 15 Primary and one Additional Support Needs).

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

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

CHAPTER 6: INCLUSIVE GROWTH AND EQUITY

6



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

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

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

Europe 2020 headline target:

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

CURRENT SCOTTISH PERFORMANCE

Progress in Scotland in this area is measured through the Scottish Government's National Performance Framework, which includes measures relevant to poverty and social inclusion. Scotland's current performance is presented in Table 6.

Table 6 – Current Scottish Performance Against Poverty and Social Inclusion Indicators

| Indicator | Current Level | Change Over Year | Reference Period |
|--|--|-------------------|------------------|
| Solidarity target: "Increase the proportion of income earned by the three lowest income deciles as a group by 2017." ⁶⁸ | 14.4% | 0.3% pts increase | 2013-14 |
| Reduce the proportion of individuals living in poverty ⁶⁹ – this is measured in terms of the percentage of people living in relative poverty (below 60 per cent of UK median income before housing costs). | 14.0% of the population in relative poverty | 1.7% pts decrease | 2013-14 |
| Reduce children's deprivation National Indicator ⁷⁰ – this is measured in terms of percentage of children in combined material deprivation (based on a suite of questions in the Family Resources Survey) and low income (below 70 per cent of UK median income). | 13.2% of children in combined material deprivation | 2.4% pts increase | 2013-14 |

68 <http://www.gov.scot/About/Performance/scotPerforms/glanceperformance>

69 <http://www.gov.scot/About/Performance/scotPerforms/indicators/poverty>

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

As indicated in Table 6, the share of income earned by the lowest three income deciles has remained broadly unchanged in recent years, whilst the proportion of individuals living in poverty has decreased and the share of children living in combined material deprivation increased slightly over the year to 2013-14.

DELIVERING INCLUSIVE GROWTH

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

As highlighted in Chapter 2, Inclusive Growth is a central priority of *Scotland's Economic Strategy*. The Scottish Government is committed to ensuring that economic growth is inclusive and is shared across all of the people and parts of Scotland. A more cohesive economy that improves the opportunities, life chances and wellbeing of every citizen in Scotland not only improves outcomes for individuals and households, but is a critical driver of economic performance over the long term. This approach – which includes investing in the early years, promoting fair work and protecting households from current economic pressures – is embedded in the foundations of *Scotland's Economic Strategy*.

Promoting the Living Wage

The Scottish Government is committed to creating a fair and inclusive jobs market. We fully support the campaign for a true Living Wage⁷¹ and recognise the real difference that fair pay makes in

both reducing inequalities and improving productivity. To this end the Scottish Government is protecting the pay of the lowest earners which it has direct responsibility for by committing to support the Living Wage in our public sector pay policy.

As well as supporting public sector pay, the Scottish Government is committed to increasing the number of Living Wage Accredited employers in Scotland's private sector.⁷² After meeting our target of 150 accredited employers 8 months ahead of schedule, a new target of 500 Scots-based Living Wage Accredited Employers by the end of March 2016 has now been set and we are working with the Poverty Alliance to achieve this.

In addition to our work with the Poverty Alliance, the Scottish Government has prioritised payment of the Living Wage in other ways. This includes a Living Wage Summit hosted by the First Minister in June 2015 with key business leaders and representatives from the retail, hospitality and tourism sectors, and a Living Wage Expo held in October 2015 for accredited employers to share their experiences of the Living Wage with other accredited employers and those with an interest in paying the Living Wage.

Scotland's Programme for Government 2015-16 set out a commitment to continue to promote Fair Work practices through procurement activity. On 6 October 2015, the Scottish Government announced new statutory guidance on *Addressing Fair Work Practices, including Living Wage, in Procurement*. This statutory guidance, published under section 29 of the Procurement Reform (Scotland) Act 2014, requires public bodies to consider, before undertaking a procurement exercise, whether it is relevant and proportionate to

71 £8.25 per hour <http://www.lboro.ac.uk/research/crsp/mis/thelivingwage/>

72 http://slw.povertyalliance.org/what_we_do/accreditation_initiative

include a question on fair work practices, which should be evaluated along with other relevant criteria, while ensuring the appropriate balance between quality and cost of the contract.

Supporting Gender Diversity

The Scottish Government is committed to making boards representative of the communities and customers they serve, have better access to talent and have improved board governance, decision making and performance. Scotland's Programme for Government encourages the public, private and third sector to set a voluntary target for gender balance on their boards of 50:50 by 2020, by signing up to the *Partnership for Change* – a network of organisations and individuals

who share a common ambition to improve gender balance on boards. The Scottish Cabinet sets an example by having 50:50 gender balance, and figures published in March 2016 showed that in 2015, more women than men were appointed to the boards of regulated public bodies in Scotland for the first time.

Social Justice

The Scottish Government has a vision for a Scotland where people are healthier, happier and treated with respect, and where opportunities, wealth and power are spread equally. To understand the key issues that stand in the way of achieving this vision, a national conversation on 'Creating a Fairer Scotland' was launched, as outlined in Box 8.

↓ Box 8: Consultation on Creating a Fairer Scotland

The 'Creating a Fairer Scotland' discussion paper was launched in June 2015, with the outline vision that "By 2030 Scotland is a place where people are healthier, happier and treated with respect, and where opportunities and power are spread more equally."

The intention of the consultation was to speak to as many people as possible, through events, online and in person, to hear first-hand from those with lived experience of poverty and inequality the issues that matter to them and how Scotland can become Fairer by 2030.

Since then, over 7,000 people have taken part in Fairer Scotland public events and locally organised discussions covering many areas of the country from Stornoway to Dumfries and everywhere in between.

Even more have engaged with us online, with the number of visitors to our social media platforms edging towards 17,500. Almost 200 events were held as part of the Consultation, including a series of in-depth discussion groups run in eight locations across Scotland.

A summary of the Fairer Scotland discussion was published in March 2016,⁷³ which identified issues around five key themes: Work and living standards; Early years, education and health; Community participation and public health; and Respect and dignity.

A Social Justice Plan, which will take into account the responses to the Fairer Scotland Consultation, will be published later in 2016, with Fairer Scotland Phase 2 (focused on delivery) expected to begin thereafter.

73 <http://www.gov.scot/Publications/2016/03/8727/downloads>

In addition, in June 2015 the First Minister appointed Naomi Eisenstadt as Independent Advisor on Poverty and Inequality, to make recommendations to the Scottish Government on its approach to reducing poverty, and holding the Scottish Government to account for actions that act to affect poverty and inequality in Scotland. Ms Eisenstadt published her report to the Scottish Government, *Shifting the Curve*⁷⁴ on 20 January 2016. The report identifies 15 recommendations, focused on helping those who are in in-work poverty, affordability of housing, and improving the life chances of young people. The Scottish Government welcomed this report and is considering its response to the recommendations.

EXPANDING EARLY LEARNING AND CHILDCARE

As part of its CSRs to the UK, the Scottish Government has noted that the Commission recommends action is taken to improve the availability of affordable, high-quality, full-time childcare. This is an area where the Scottish Government is already taking strong action.

The Scottish Government's ambition is to transform childcare in Scotland to help make Scotland the best place in the world to grow up. The beneficial effects to children of high quality early learning and childcare is evident throughout primary school, and international evidence suggests that the benefits can persist into secondary school. As well as being of direct benefit to children, improving access to high quality childcare reduces a significant barrier to participation in the labour market faced by parents, particularly women.

Through the Children and Young People (Scotland) Act 2014,⁷⁵ the Scottish Government is investing £329 million over two years to expand early learning and childcare to 600 hours per year for 3 and 4 year olds. In August 2014, we expanded this to the most vulnerable 15 per cent of 2 year olds.⁷⁶ These measures were expanded to 27 per cent of 2 year olds based on free school meal eligibility from August 2015.

As well as increasing the number of funded hours, the Act will also increase the level of flexibility of the entitlement, to better meet the needs of young children and parents seeking to balance their childcare responsibilities with work, study or training commitments.

As part of the Programme for Government, the Scottish Government is committed to expanding the level of funded early learning and childcare from 600 hours per year to 1140 hours per year by the end of the next Parliament.

To further support families with young children, the Children and Young People (Scotland) Act 2014 contained provisions that will expand the provision of free school meals for the youngest school children in Scotland. £70.5 million revenue funding has been committed over 2015-17 to provide all Primary 1 to Primary 3 children in Scotland with free school meals. The measure was implemented in January 2015, and is expected to benefit around 135,000 children.

74 <http://www.gov.scot/Publications/2016/01/1984/downloads#res-1>

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

76 This includes those who are looked after; under a kinship care order; have a parent appointed guardian; or, are from workless or job-seeking households

TACKLING CHILD POVERTY AND SUPPORTING VULNERABLE PEOPLE

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

Child Poverty Strategy

The national approach to tackling child poverty through early intervention and prevention is articulated in the *Child Poverty Strategy for Scotland 2014-17*. The Strategy put in place an innovative measurement framework which addresses both the wide range of drivers of poverty and the impacts poverty has on the lives of children and their families. The measurement framework is based around the 3 Ps – Pockets, Prospects and Places. This means that we focus on maximising household resources, improving children's wellbeing and life chances and provision of well designed, sustainable places. Progress on key outcomes in each of these areas is measured and reported on annually.

The latest Annual Report on the Child Poverty Strategy for Scotland was published on 9 October 2015. The vast majority of the indicators in the report

are stable and in a few areas performance has improved. However, we recognise that there are also areas for improvement, and we will use this report to inform our approach and actions going forward.

The Scottish Government will continue to refine and develop a Scottish approach to tackling poverty, in collaboration with our Ministerial Advisory Group on Child Poverty, our Independent Poverty Advisor and others – reflecting the importance we continue to place on this challenge.

Scottish Welfare Fund

The Scottish Welfare Fund is providing crisis grants and community care grants which can act as a safety net in an emergency when there is a threat to health and safety, or enable independent living, preventing the need for institutional care. The Fund is delivered by Local Authorities, meaning the scheme is tailored to meet local needs. From April 2013 to September 2015, £81 million has been spent, supporting around 178,000 vulnerable households on low incomes, including around 59,000 families with children. Around half of all funding has gone to communities in the 20 per cent most deprived areas of Scotland. Initially established on an interim basis, the Welfare Fund will be set in a permanent, statutory footing from 1 April 2016 through the Welfare Funds (Scotland) Act 2015.

COMMUNITIES AND REGENERATION

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

Regeneration

The Scottish Government's *Regeneration Strategy*,⁷⁷ responds to the challenges faced by our most disadvantaged communities to help create a Scotland where all places are sustainable and where people want to live, work and invest. To help meet these aims, the Scottish Government is supporting regeneration in a number of ways:

- To support regeneration in disadvantaged areas, the Scottish Government provided £12.6 million in 2015-16 through the People and Communities Fund to support 197 community-led projects in disadvantaged communities across Scotland. The fund supports projects that can demonstrate that they will tackle poverty and help achieve social inclusion. Projects approved for 2015-16 include volunteer support and development services, workshops to build peoples' confidence and skills, and advice services for financial capability.
- The £25 million per annum Regeneration Capital Grant Fund, developed in partnership with the Convention of Scottish Local Authorities (COSLA). This fund focuses on projects that engage and involve local communities and

those that can demonstrate the ability to deliver sustainable regeneration outcomes. Over the two funding rounds that have taken place in 2014-15 and 2015-16, 40 projects have been supported that will deliver large-scale improvements to deprived areas. Over £21 million of grant funding was provided for projects in 2014-15, which included town hall restoration and town centre regeneration. Twenty-six projects have been recommended for funding in 2016-17, including community and leisure centres and creative industries hubs.

Community Empowerment (Scotland) Act 2015

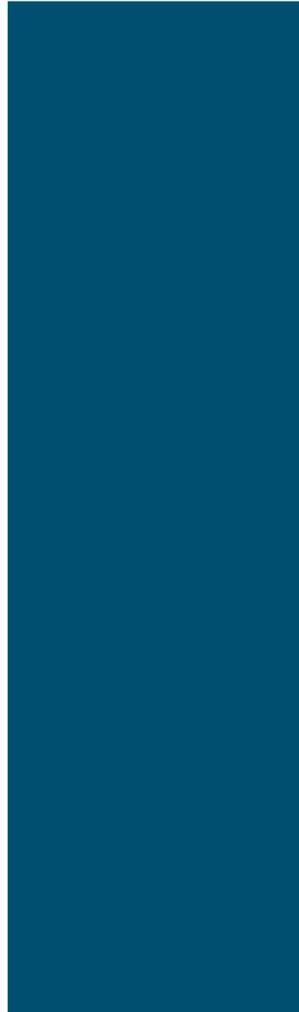
The Community Empowerment (Scotland) Act 2015⁷⁸ strengthens opportunities for communities to take action to achieve their own goals and aspirations, including through the ownership of land and buildings, and to have their voices heard in the decisions that affect them. This includes provisions which: extend the community right to buy, making it simpler for communities to take over public sector land and buildings, and strengthening the statutory base for community planning, for example.

Scottish Ministers are now developing secondary legislation (orders and relations) and guidance before the legislation can come into effect. This will be done through a process of engagement and co-production with people affected by the legislation.

⁷⁷ <http://www.scotland.gov.uk/Publications/2011/12/09110320/0>

⁷⁸ <http://www.gov.scot/Topics/People/engage>

CHAPTER 7: NEXT STEPS



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

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

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

In the European Union

The Scottish Government will continue to engage with the EU Institutions in the development of the Europe 2020 Strategy. We are committed to working closely and constructively with EU in pursuit of the Europe 2020 ambitions, as outlined in *Scotland's Action Plan for EU Engagement*.

The Scottish NRP 2016 has been submitted to the European Commission, to complement and expand on the Scottish contribution in the UK NRP. The Scottish NRP has been developed to highlight the distinct approach being pursued in Scotland to support delivery of the Europe 2020 ambitions. Scottish Government officials will continue to work with officials of the European Commission throughout the European Semester process.

In Scotland

Stakeholder engagement is essential to the Scottish Government's policy development process. This NRP has been produced with valuable input from a range of

stakeholders from the public, private and third sectors in Scotland. The contributions of stakeholders will be fully considered in our approach to achieving the ambitions set out in the Europe 2020 Strategy, and we will continue to engage with them throughout this annual cycle.

In the UK

The Scottish Government will continue to work with the UK Government in addressing the Country-Specific Recommendations made on the basis of the National Reform Programmes, as well as contributing to the UK's annual National Reform Programme.

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

Scotland's Action Plan for EU Engagement

The Scottish Government's refreshed *Action Plan for EU Engagement*⁷⁹ sets out our aims for broader engagement in the EU and has since been the central pillar of the Scottish Government's activity in Europe. The Action Plan should be considered in the context of the Scottish Government's new International Framework, also released in March 2015, which has the EU at its core.

Scotland's Action Plan for EU Engagement has four key policy objectives:

- **Committed Partner:** We will remain a committed European actor, making the case for our place in Europe, and working to enhance Scotland's voice within the EU.
- **EU Reform:** We will promote effective and meaningful EU reform within the framework of the existing EU treaties for the benefit of Scotland and the entire territory of the EU.

⁷⁹ <http://www.gov.scot/Publications/2015/03/8113>

- **Active Participation:** We will work to secure investment, innovation and inclusive growth to support the delivery of *Scotland's Economic Strategy*.
- **Strengthening Partnerships:** We will strengthen our relationships with European partners to develop and deliver mutually beneficial outcomes, policies and programmes in pursuit of our objectives.

European Funding

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

To achieve the ambitions of Europe 2020, the €941 million of ERDF and ESF funding allocated to Scotland have been refocused to address immediate issues holding back areas of potential development such as youth unemployment; and on creating long-term conditions to support and enable Smart, Sustainable and Inclusive growth:

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

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

Over 2014-20 European Structural Funds will be delivered through Strategic Interventions – programmes of work of significant scale and defined scope which will align with and help shift the

focus on domestic policy. These strategic interventions will be managed and co-financed by Lead Partners, typically the existing organisations and legal vehicles which already manage domestic funding in the same policy area. This strategy means that Scotland will be able to use EU funding to align with and gradually shift domestic funding towards new and transformational policy development, which might otherwise struggle for funding.

The three strategic themes apply across all Member States and in Scotland they complement the priorities of *Scotland's Economic Strategy*.

CONCLUSION

The Scottish Government supports the ambition and priorities of Europe 2020 to deliver smarter, more sustainable and more equitable growth over the period to 2020. This is demonstrated by the close alignment between Europe 2020 and *Scotland's Economic Strategy*, and the recent launch of our Action Plan for EU Engagement.

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

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



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