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BUSINESS IN THE
PARLIAMENT

Business in the Parliament Conference 2004

Response of the Scottish Executive to the Main Issues Raised

September 2004

INTRODUCTION

1. The Partnership Agreement¹ commits the Scottish Executive to “to bring together Scotland’s business and Scotland’s politicians to develop ideas and maximise the drivers for growth”. To help achieve this, the Scottish Executive and the Scottish Parliament worked in partnership to host the Business in the Parliament Conference² on 22nd and 23rd April 2004. The main aim of the Conference was to engage the business community in continuing to grow Scotland’s economy, focussing on the key themes of *A Smart, Successful Scotland*.
2. There are a number of follow-up actions³ that will enable the Executive to demonstrate the outcomes from the 2004 event. These include the production of a written response by the Executive to the main issues raised at the Conference.
3. This report documents the main issues raised and sets out the Scottish Executive’s policy position on each. The outcomes of the Conference will be debated in Parliament in September 2004, and this response will be used as a benchmark for tracking progress in 2005. Any questions on this document or on the Conference can be directed to businessinthe-parliament@scotland.gov.uk

¹ <http://www.scotland.gov.uk/library5/government/pfbs-00.asp>

² <http://www.scotland.gov.uk/about/ETLLD/EI/00018977/Introduction.aspx>

³ <http://www.scotland.gov.uk/about/ETLLD/EI/00018977/Overview.aspx>

RESPONSE OF THE SCOTTISH EXECUTIVE TO THE MAIN ISSUES RAISED

The Economy

4. Scotland needs a stable macroeconomic environment, which facilitates economic growth whilst providing a high but affordable standard of protection for employees in the workplace and social provision for those who need it.

5. The Executive agrees. Under devolution, the Scottish economy benefits from the stable UK macroeconomic and fiscal environment. We are aiming to raise the long term sustainable growth rate of the Scottish economy and the basic conditions for continued growth are in place. As part of this, we work together with the UK government to give employees an appropriate level of protection. We will work to equip all who can contribute with the skills they need to enter the workforce, aiming to raise labour force participation, to ensure a Scotland where everyone can enjoy a decent quality of life.

6. 'Scotland plc' should plan for growth as any business should do - what are the key performance indicators for growth and what does success look like?

7. The Executive agrees. Our *Framework for Economic Development in Scotland*⁴ sets out a strategy for raising productivity in the public and the private sectors and growing the Scottish economy by fostering:

- *basic education and skills*: crucial to any strategy for economic growth and the bedrock for the foundation of a competitive economy;
- *research & development and innovation*: the foundations for improvements in productivity and for sustainable global competitiveness;
- *the electronic and physical infrastructure*: joining business to business, consumer to business, and ensuring the movement of goods, people, and ideas to the right places at the right times;
- *entrepreneurial dynamism*: the creation of new enterprise and a positive, risk-taking attitude to enterprise are central to the establishment of a dynamic economy;
- *effective management of public sector resources*: improving the efficiency and effectiveness with which resources are deployed in the provision of public services.

8. Success of this strategy will lead to increased competitiveness, expressed in, for example, higher export shares for Scottish producers. Success will lead to greater entrepreneurial dynamism, higher business birth rates and greater business investment. Success will also be measured by high employment rates for all age and skill groups.

9. Our key indicators for economic growth relate to each of the priority areas in our enterprise strategy *A Smart, Successful Scotland*⁵. These are set out in *Measuring Progress Towards A Smart, Successful Scotland*⁶. They comprise an overall indicator relating to labour productivity – GDP/head, and include a range of further indicators, including, for example, R&D expenditure, broadband coverage and online trading, as well as employment and training indicators. We are currently refreshing Smart Successful Scotland and will continue to track progress on these indicators over the medium/long term. This work will continue.

⁴ <http://www.scotland.gov.uk/library5/government/fedsm-00.asp>

⁵ <http://www.scotland.gov.uk/library3/enterprise/sss-00.asp>

⁶ <http://www.scotland.gov.uk/library5/government/sss03.pdf>

10. Business needs a financial environment where public sector imposed costs do not adversely affect competitiveness. Are the financial powers of the Parliament sufficient to drive economic growth in Scotland and provide the right kind of business environment, and should the Scottish Parliament have the power to ease corporation tax as has happened in Ireland and has brought advantages to Irish firms?

11. The Executive agrees. At present, corporation tax rate and the UK total business tax burden compare favourably with most of our continental competitors. But, while tax rates and structure are important factors, the economic environment that contributes to business growth goes beyond fiscal arrangements. We cannot focus our strategy on creating a low-cost economy. To succeed in global markets we have to foster a location that competes on the strength of innovation and the unique value of its products. We aim to create a viable, indigenous knowledge-based economy that puts the high skills of all our people to best use.

12. Business rates in Scotland are higher than in England and Wales. Why don't we put ourselves in line with England and Wales and give ourselves a competitive advantage?

13. The poundage rate is higher but the lower increase in rateable values in Scotland (15%) than in England (25%) at the last non domestic revaluation (1 April 2000) means that, an average non domestic property in Scotland and England will receive a similar rates bill. The poundage rate for 2004-05 is set at 48.8p which is a below inflation increase of 2.1%. Combined with the rates freeze in 2003-04 this represents a permanent reduction in non domestic rates income of £39 million. With this year's below inflation increase following last year's rates freeze, the poundage rate has reduced in real terms by 3% since 2000-01.

14. In addition, we are targeting rates reduction where the burden is highest at small businesses and rural communities. The small business rate relief scheme provides a discount of between 5% and 50% on the poundage rate for up to 70% of non domestic ratepayers in Scotland. Aligning the poundage rate in Scotland with the multiplier in England for all businesses would cost around £122 million in 2004-05. It is likely to cost more in future years. The Executive considers this money can be better spent in a number of other ways that help Scottish business, for example by investing in transport, skills, research and innovation. In terms of competitiveness, consideration needs to be given to all costs not just non domestic rates. Non domestic rates represent about 2% of GDP whereas employment costs represent over 60% of GDP and are lower in Scotland than in England.

15. The public sector should constantly assess access to public sector finance, review public procurement policy and whether it should finance individual businesses or should focus on wider infrastructure.

16. The Executive agrees. The public sector should continually assess whether its programmes create and deliver value for money. Part of this involves delivering procurement policy that identifies the most cost-effective way to obtain the goods and services that the public sector requires. See paragraph 35 on procurement.

17. A number of Executive programmes (e.g. Regional Selective Assistance⁷ and SMART⁸ and Spur⁹) provide targeted support for individual firms. The Enterprise Networks also provide a range of support to individual firms and sectors. But the Executive focus is also on wider infrastructure and creating and sustaining the right environment for growth;

⁷ <http://www.rsascotland.gov.uk/>

⁸ <http://www.scotland.gov.uk/about/ELLD/BGI/00016879/Innovationgrants.aspx>

⁹ <http://www.scotland.gov.uk/about/ELLD/BGI/00016879/Innovationpolicy.aspx>

providing a first-class education system, supporting innovation and investment, including extending and maintaining a high-quality infrastructure. We will continue to do this.

18. What initiatives are being considered to address the claim culture that has contributed to a huge hike in public and employers' liability insurance premiums escalating to an unacceptable level and threatening the future of many small businesses in Scotland?

19. This is a reserved matter and the Department for Work and Pensions is the lead Whitehall department. It published a *Review of Employers' Liability Compulsory Insurance (ELCI)* in December 2003¹⁰ which summarises the work the Government has done in this area with the business community and others and sets out areas for further action.

20. The Government has already improved access to guidance and information on ELCI via the Business Link website¹¹, and has put in place a number of initiatives aimed at improving the way in which the employers' liability market functions. This includes action on longer renewal periods by insurers and brokers and a scheme called '*Making the Market Work*' to help trade associations and others to access the insurance market more easily.

21. In the longer term, the Government is looking to pilot new ways to resolve claims quicker and with fewer costs and is committed to working with insurers, business and the Health and Safety Executive to develop an approach to underwriting which better reflects the health and safety performance of individual firms.

Joined-up Scotland

22. How can we get everyone in Scotland pulling in the same direction and close the divide between the public and private sectors?

23. The Executive is committed to working in partnership with the public, private and voluntary sectors to deliver for Scotland. High level objectives like economic growth, a healthier population, excellent public services and a confident, outward-looking Scotland, cannot be delivered by government alone. The Executive will play its part by taking a lead, and mobilising others; creating the right conditions, joining up public services and working with a range of public, private and voluntary sector partners to tackle intractable problems.

24. The public and private sectors can compliment each other by focussing on the areas with which they are best equipped to deal. There are areas where public sector delivery is, and will remain, appropriate. There are areas where the public can be best served by the two sectors working together to deliver excellent services. The Executive will continue to work in partnership across sectors, learning from the others' best practice and to deliver for Scotland.

¹⁰ http://www.dwp.gov.uk/publications/dwp/2003/elci/dwp_employers_review04-12-2003.pdf

¹¹ <http://www.businesslink.gov.uk/bdotg/action/home>

25. Productivity, economic growth and innovation should be encouraged and should be cascaded to all of the public sector agencies.

26. The Executive agrees. Productivity, economic growth and innovation are key aspects of *A Smart, Successful Scotland* (SSS). As part of the process to refresh SSS the Executive is examining the challenges faced in achieving this and how they are likely to change. The refresh of SSS will be completed in Autumn 2004.

27. Mechanisms are also in place to ensure public sector agencies support businesses in increasing productivity and in innovating, thereby driving economic growth. These include the Business Gateway¹², providing a single access point, in the Scottish Enterprise area, to public sector business support. Single access to business support in the Highlands and Islands is delivered by Highlands and Islands Enterprise¹³. Local Economic Forums¹⁴ bring together public sector agencies and representatives of the business community to focus on issues relating to local economic development including local public sector business support services. This work will continue.

28. The public sector is also committed to increase productivity as demonstrated by the Efficient Government initiative¹⁵ which is designed to deliver public sector savings of £500 million by 2007-08 and £1 billion by 2009-10.

29. There is a feeling that there is a shared agenda across the Scottish Executive, however, there is a lack of this agenda elsewhere in the public sector where many of the challenges lie. How is the Executive going to ensure that the agenda for economic growth [Framework for Economic Development in Scotland] will cascade down to local government and other public agencies (e.g. Scottish Water, Scottish Environmental Protection Agency (SEPA) and Scottish Natural Heritage (SNH)) to make certain that this becomes their first priority?

30. The *Framework for Economic Development in Scotland*¹⁶ makes clear that the whole of the public sector has to pull in the same direction if we want to achieve our growth objectives. Local government and public agencies are fully aware of the Executive's top priority of growing the economy and it is vital to maintain a culture that is supportive of our economic agenda throughout the Scottish public sector. Local Economic Forums¹⁷ are an example of public sector partners and the business community are working together to develop and implement local economic development strategies that are consistent with *A Smart, Successful Scotland*. The forum partners are working, and will continue to work, to ensure effective delivery of these strategies. This work is ongoing.

31. Scottish Natural Heritage's statutory remit is to care for Scotland's natural heritage. Caring for the environment can bring a range of benefits to local economies, particularly in remoter areas with fewer alternative employment opportunities. In 1997 the management, protection and improvement of the natural heritage supported an estimated 8,230 full-time and part-time jobs. This jobs figure is now about 12,000, with the potential to grow to 15,000 jobs by 2006.

¹² <http://www.bgateway.com>

¹³ <http://www.hie.co.uk/>

¹⁴ <http://www.scotland.gov.uk/about/ELLD/ENT/00016201/intro.aspx>

¹⁵ <http://www.scotland.gov.uk/News/Releases/2004/06/5713>

¹⁶ <http://www.scotland.gov.uk/library5/government/fedsm-00.asp>

¹⁷ <http://www.scotland.gov.uk/about/ELLD/ENT/00016201/intro.aspx>

32. The Scottish Environment Protection Agency is Scotland's main regulatory and enforcement body for controlling industrial pollution. A clean and healthy environment is good for business and helps to create a prosperous economy. The Executive requires SEPA to regulate in a fair, consistent and proportionate manner and have a clear understanding of the costs to business of the regulatory standards and conditions it imposes. SEPA adopts the principle that regulation should be proportionate to the risk to the environment.

33. On 20th July 2004 the Executive published two consultations: one on the level of investment that is required in the water and wastewater services from 2006 onwards (Investing in Water Services 2006-2014)¹⁸ and the other on how this should be paid for (Paying for Water Services 2006-2010)¹⁹. Economic development is one priority that will be addressed, along with meeting statutory public health and environmental requirements. The results of those consultations will inform Ministers' decisions on the future priorities for Scottish Water. Businesses are invited to contribute their views to the consultation processes.

34. What steps and frameworks are being put in place to utilise public sector procurement as an economic tool in the business growth toolbox? What have been the outcomes so far of the discussions that Executive officials and business representatives have had on how we can keep within European rules on procurement yet still allow Scottish businesses to become involved in our procurement in a manner that is suitable for them?

35. The fundamental objective of public procurement is to achieve value for money for the taxpayer. Protectionism (i.e. local preference) does not promote competitiveness or innovation (and EU law prohibits local preference schemes). However, the Executive recognises the need to ensure that Scottish suppliers, particularly SMEs, have the opportunity to compete on an equitable basis for public sector business. Our e-procurement Scotland programme²⁰ provides a single interface between suppliers and participating public bodies which makes it easier (and cheaper) for both suppliers and buyers of goods and services. The e-procurement Scotland service streamlines purchase to pay processes, reduces transaction costs to a minimum and facilitates on-time payment.

36. The Executive is also working in partnership with Health and Local authorities and representatives of the business organisations to explore what can be done to make it easier for suppliers to compete for public sector business. Discussions are ongoing to reduce procurement bureaucracy and make it easier for suppliers, particularly Scottish SMEs, to compete for public sector business. This work will continue.

¹⁸ <http://www.scotland.gov.uk/consultations/environment/iws-00.asp>

¹⁹ <http://www.scotland.gov.uk/consultations/environment/pfws-00.asp>

²⁰ <http://www.eprocurementscotland.com/default.asp?page=1>

37. It would be a good idea to take the feedback from today and consult with children and young people, e.g. the youth parliament, as to their views on the issues raised.

38. The Executive recognises the value of involving children and young people in its broad consultation process and has developed recommended methods²¹ of obtaining the views of children and young people. The Executive will identify whether some members of these groups, possibly young people from the Youth Parliament or the Junior Chamber of Commerce, wish to become involved at any Annual Business Forum in 2005.

Legislation & Regulations

39. The cost of compliance with legislation is cited as a barrier to business, along with the volume, complexity, rate of change and interpretation of it. Regulations need to be made simple, specific, responsive and joined-up across the different agencies.

40. Regulation presents challenges for government as well as business. Since the mid 1980s, Government has been working to control the impact of regulatory measures on business and to reassure business that their concerns are being given proper attention. Post devolution, the Executive has continued to address this challenge and works closely with Cabinet Office who are responsible for these matters at UK level. This work will continue.

41. In addition, the Executive's Improving Regulation Unit works closely with businesses and their representative organisations ensuring their needs, particularly small firms, are kept to the forefront of policy making across the Executive. We are committed to improving regulations, we will not compromise other policy objectives, rather we will ensure regulations when necessary are as "light touch" as possible and businesses are free to compete. Post devolution, the Executive has introduced the Regulatory MOT and the micro business test. The most radical change to longstanding practice was the introduction of the Review RIA or "Regulatory MOT". All post devolution regulations which impact significantly upon business are now subject to a "Regulatory MOT" within 10 years. This will ensure each regulation remains fit for its purpose and its continuation is justified. The micro business test is a refinement of the small business test which forms part of the Cabinet Office basic requirements and was introduced in recognition of the dominance of very small companies in the Scottish economy. This work will continue.

42. Much of the legislation crippling firms comes from Westminster and Europe. The Executive and the Parliament must use its influence to lobby these institutions on behalf of Scottish businesses.

43. The Executive is committed to working to control regulation as it impacts on business. We are committed to ensuring that Scottish interests, including those of the business community are taken into account in the development of policies in Europe and Westminster. We also support the principle of Central and Local Government and their agencies being open to business. The Executive's Improving Regulation unit is currently producing its first annual report, due for publication in 2004, which sets out the activities of the Improving Regulation unit and the recognition given to the interests of the business community in the wider Executive.

²¹ The re:action consultation toolkit is a practical toolkit for consulting with young people and children on policy issues. This toolkit has been funded by the Scottish Executive Education Department and developed by Save the Children as part of the Action Programme for Youth. (<http://www.scotland.gov.uk/about/ED/YPLAC/00018106/toolkit.aspx>)

A Smart, Successful Scotland

44. There needs to be wider buy-in to the Smart, Successful Scotland strategy – the Scottish population has to ‘do’ SSS. We should get out there and get organisations to sign-up to the strategy. It shouldn’t solely be about business – schools should also buy in to it. SSS is the right agenda but delivery at a local level needs to be better, and would help better deliver its vision.

45. The Executive is in the process of refreshing *A Smart, Successful Scotland*²². As part of this, one of the issues being considered is broadening SSS, from its original role as strategic guidance to the enterprise networks, to become an enterprise strategy for Scotland. This work will be completed by Autumn 2004.

46. It should also be noted, that SSS includes as one of its 12 priority areas, the need to ‘Provide the best start for all our young people’ and that the Executive’s Enterprise in Education strategy – *Determined to Succeed*²³ – supports this through aiming to offer young people the opportunity to:

- develop enterprising attitudes and skills through learning and teaching across the curriculum;
- participate in a range of enterprise activities including those which are explicitly entrepreneurial in nature such as setting up their own mini-businesses;
- undertake work-based vocational learning with a relevant qualification;
- receive appropriately focussed careers education.

The Executive has therefore devoted £42m from 2003 – 2006 for more, better enterprise in education. This work will continue.

Public Sector Employment

47. What is the maximum level of public sector employment there can be in Scotland that can be supported by the wealth creating sector?

48. In 2003, the public sector in Scotland employed 27.9% of all persons in employment. The Executive is committed to working for better quality public services by raising public sector productivity. It is not possible to say what the *maximum* level of public sector employment could be. The issue is the *appropriate* level of public sector employment, driven by the outcomes we want to pursue. Efficiency in government demands that we continuously evaluate outcomes as well as the employment structure and make adjustments where necessary. The Executive is also committed to improving efficiency in government and releasing funds for front line services. In September 2004 we will publish a 3 year plan for Efficient Government, which will outline how we propose to deliver £500m of efficiency savings by 1 April 2008.

²² <http://www.scotland.gov.uk/library3/enterprise/sss-00.asp>

²³ <http://www.scotland.gov.uk/library5/lifelong/reie-00.asp>

Learning & Skills

49. There is widespread recognition that there is difficulty in recruiting appropriately trained staff. It is quoted that 'two thirds of vacancies in the small business sector are described as hard to fill by employers...mainly due to the shortage of people applying for work, even in areas of low rates of employment such as Glasgow.'

50. The Executive agrees there are hard-to-fill vacancies in SMEs, but it is not likely that this is as a result of skills shortages. According to the *Scottish Employer Skills Survey 2003*²⁴ (SESS), carried out by Futureskills Scotland, only 18% of vacancies were hard to fill due to skills shortages. Businesses themselves recognise that many positions are hard to fill for other reasons such as poor pay or conditions offered.

51. The Executive agrees some industries have more hard-to-fill vacancies than others and SMEs feel the effects more acutely. We are working to ensure that labour supply is more closely matched to labour demand, including:

- Scotland's labour market intelligence unit, Futureskills Scotland, continuing to work with Careers Scotland with the aim of matching the right people to the right jobs at the right time;
- Sector Skills Councils - playing a role in reducing skills gaps and shortages by working in partnership with their sector's employers, Futureskills Scotland and partner organisations to help identify and address current and future skills needs of their sectors;
- Over 30,000 Modern Apprentices (MAs) training in Scotland. MAs in the skilled trades, including construction, engineering and plumbing continue to be extremely popular. MAs now have a mandatory core skills element as these are the skills which employers most often cite as lacking in employees. This equips Modern Apprentices with some of the transferable skills often needed to successfully apply for future employment.

52. Scotland has to invest in the intellectual skills of its young and not so young people to ensure we gain long-term competitive advantage. Scotland must attract work that is higher up the quality chain and invest in added-value industries.

53. The Lifelong Learning Strategy, "Life through Learning; Learning through Life" published in February 2003²⁵, outlines the Executive's five year strategy for lifelong learning. Our approach is to provide the best possible match between the learning opportunities and the skills, knowledge, attitudes and behaviours that will strengthen our economy and society.

54. The Scottish Further Education Funding Council is mapping the supply of further education and training in Scotland against demand to add to the understanding of the relationship between demand and need from students and employers. Publication of this work will inform Council strategic decisions and is due in spring 2005.

55. The Further Education sector is promoting excellence and driving up standards. New professional development awards and units which flow from the review of the National Guidelines on provision leading to the Teaching Qualification in Further Education will be available for use in 2006 which will widen opportunities for FE lecturers' continuing professional development and will further our commitment to boost teaching skills and

²⁴ http://www.futureskillsscotland.org.uk/uploadedreports/Skills_in_Scotland_2003.pdf

²⁵ <http://www.scotland.gov.uk/library5/lifelong/lism-00.asp>

qualifications, ensuring that the FE sector is well positioned to equip students to compete vigorously for jobs in a modern, highly skilled economy.

56. The Scottish Executive recognised in its Higher Education Review phase 2²⁶ that higher and further education have a vital role to play in delivering the knowledge and skills needed by its workforce to create a knowledge based economy and ensure national competitiveness. We are committed to the promotion of lifelong learning and widening access to all social groups and through articulation across the further and higher education sectors have achieved participation rates in higher education of over 50%.

57. The Review recognises that research and in particular science is a key driver of economies, both in terms of creating wealth and in improving quality of life. We are working with the Scottish Higher Education Funding Council to support Scottish universities to deliver world class research and promote the knowledge transfer which will ensure that our economy benefits from the substantial investment being made. A Further Education taskforce is also being established to investigate the range and volume of knowledge transfer activity in Scotland's further education colleges.

58. There needs to be greater focus by teachers and careers offices on how best to promote our young peoples' skills.

59. The Executive agrees. This is one reason why we established a national agency - Careers Scotland - working jointly with all secondary schools and further education colleges across Scotland to ensure young people get the information, advice and guidance they need to make realistic and informed career decisions. This work will continue.

60. Graduates are being forced to leave to seek opportunities elsewhere due to a lack of high quality jobs. The learning and skills environment must be demand driven. There is a lack of demand and opportunity for the high quality, high skilled people that we feel we need to drive our economy.

61. Futureskills Scotland's research suggests that in general, most employers can recruit the people they want most of the time. However, skills deficiencies can be a problem for some types of firms - innovators, growing businesses, premium product producers. These firms are instrumental in driving economic growth, and it is because of that growth that they require higher skilled employees.

62. While the government has a role ensuring that there is a high-quality labour force available to help grow the economy, there must also be a demand for high level skills from employers. Finding ways to encourage employers to work in ways that make use of those high level skills is key to driving the economy. The Executive believes the establishment of 3 Intermediary Technology Institutes (ITIs) is one step which will help increase and sustain the birth rate of indigenous high value-add technology based companies.

63. Highly skilled people also have an important role to play not just as potential employees of such firms, but also as potential employers who start up their own businesses. Our Enterprise Networks offer extensive support to new businesses.

64. The data generated by Futureskills Scotland is also being used by Careers Scotland, the Sector Skills Councils, the Funding Councils and the Enterprise Networks to help improve the quality and consistency of information for learners, employers and learning providers.

²⁶ <http://www.scotland.gov.uk/about/ELLD/HESP/00016640/HEReview.aspx>

65. These actions, together with other work, seek to create the conditions which drive up demand for high level skills. This work will continue.

66. It is necessary to stimulate the demand for learning and invest in skills development, particularly in management development.

67. The Executive agrees that improving management and leadership skills can contribute to improving business success. Futureskills Scotland's findings show strategic management skills are cited as being deficient in sizeable proportions of managerial and professional staff. In addition, softer core skills such as problem-solving and planning and organising (vital if individuals are to develop into managers) were reported as lacking by more than half of employers with skill gaps. Our Enterprise Networks provide a range of tailored support to help develop those skills in all kinds of companies. Learndirect Scotland for business²⁷ helps employers to identify their skills needs and to match those skills needs with effective training action. This work will continue.

68. The Skills for Business²⁸ network's cross sector board on management and leadership is using an employer-led approach to develop management and leadership skills for sectors across the UK economy. This group is made up of representatives from each of the Sector Skills Councils and helps to provide both a coherent voice for employers in articulating the demand for management and leadership skills, and an understanding of how developing those skills can help business.

69. Was the introduction of the educational maintenance allowance a ploy to get Scotland even further up the education league table?

70. No. Scotland has one of the lowest participation rates in post-compulsory education in the OECD countries. Education Maintenance Allowances aim to help support families so that money is not an obstacle to a good schooling. Following the successful piloting EMAs are being rolled out nationally to combat the low participation of young people from low-income families in post-compulsory education. Evidence from the pilot areas illustrates the success of the programme, an average increase in participation of 5 percentage points. There is also an increase in retention rates illustrated by increased completion of S5 and progress to S6.

Education

71. We must make sure that all our young people leave school ready for work and reduce the large number of young people leaving school not going to work, further education or on to training.

72. The Executive agrees. A key recommendation in *Determined to Succeed*²⁹ is that all school pupils age 14 and over must have the opportunity to do work-based vocational learning – with a relevant qualification tied in - alongside academic subjects. This will see young people spending part of a school day at college or with an employer, learning the practical skills that are required in the workplace. And, at the same time getting a real taste of what the world of work is all about. They will also gain the underpinning knowledge and competencies required to get a related vocational qualification. This work will continue.

²⁷ <http://www.lds4b.com>

²⁸ <http://www.ssda.org.uk>

²⁹ http://www.futureskillsscotland.org.uk/uploadedreports/Skills_in_Scotland_2003.pdf

73. Specialist key workers and Careers Scotland staff with key worker duties are a key component of the inclusiveness approach offered by Careers Scotland. They work closely with young people who face barriers to further education, training and employment to help them address these barriers and improve their employability. In some instances some young people may have been identified as requiring this type of support whilst still at school and are engaged in the process prior to leaving school. This work will also continue.

74. The educational environment is not aligned with young peoples' experiences or with the workplace. Technology and the activities of today's young people are not reflected in the education or training that they receive. The system is also not as good a reflection as it could be of what is found in the workplace, and the workplace may not be an adequate reflection of young peoples' experiences.

75. As mentioned above, Careers Scotland is working with young people to help address barriers to further education, training and employment and improve their employability. The Executive has also committed significant investment in ICT developments in Scottish schools (£90m between 1999 and 2002, with support to local authorities still running at £20m annually). This has brought about a huge improvement in access to ICT for pupils. Coupled with the ICT training offered to all Scottish teachers, this has created an environment where schools are well-placed to help develop pupils' ICT skills.

76. Education needs to be focussed on the soft skills such as team working, communication skills and problem solving – areas where Scotland tends to fall down.

77. *Determined to Succeed*³⁰ is intended to engender enterprising attitudes and skills through learning and teaching across the curriculum. We want all our young people to be taught, and to learn, in a more enterprising way, developing the skills of creativity, problem-solving, team-working and communication to ensure they are better prepared for the world of work.

78. The Scottish Executive is also working with the Scottish Enterprise networks and other partners to re-engineer the Skillseekers training programme. Current training provision will be improved by including Core Skills and developing closer links with schools and better articulation with further learning opportunities.

79. In addition, the Scottish Executive will continue to work with employer sector organisations and trade unions to provide resources and support for workplace initiatives which are aimed at increasing low levels of core skills in industry.

80. Teachers need to be trained and supplied with the skills needed to make the experience of education relevant and effective to the digital natives (pupils). Technology should be taken advantage of to make education more relevant and attractive.

81. The curriculum in Scotland is currently being reviewed. The first stage of that review is underway and will focus on developing a framework and principles for a 3-18 curriculum. This is in the final stages of development and the outcome will be published in Autumn 2004. The second stage of the process will then review the content of the curriculum, based on the framework and principles, tackling concerns about curriculum overload and expanding pupil choice.

³⁰ <http://www.scotland.gov.uk/library5/lifelong/reie-00.asp>

82. The targets and the measures of success of the education system must be reconsidered. The current targets are felt to be too numbers-based.

83. The National Priorities in Education introduced in the *Standards in Scotland's Schools etc. Act 2000*³¹ set out desirable outcomes for the education of children and young people. Performance measures and indicators relevant to each of the five National Priorities have been identified after extensive consultation with stakeholders. They comprise a mixture of roughly equal numbers of qualitative and quantitative indicators. Education authorities now provide school-based evidence to their local communities through annual statements of improvement objectives and annual reports on progress. The *National Priorities in Education Performance Report 2003*³² set out the 2002 position across Scotland for all five Priorities at national and authority level.

Broadband

84. The lack of critical technologies like broadband is posing serious problems for businesses. Much of the country now has access and is connected but there are still large and important areas of the country where access is only available over satellite and other expensive systems. What role can the Executive take to ensure that the remaining areas of the country become connected and that business is using broadband to its full potential?

85. The Executive is committed to extending broadband connectivity across Scotland. Great progress has been made - increasing coverage from just 43% in late 2001 to over 82% now, and that figure will reach 95% by summer 2005. The Executive is keen to ensure that broadband opportunities are extended to businesses and households across the country, even where it is not feasible to provide it commercially. Therefore, it recently announced plans for an intervention which will bring broadband to every community in Scotland by the end of 2005³³. This intervention will help to maintain our global competitive advantage and prevent a digital divide in Scotland.

86. The debate about broadband has moved on – from coverage to take-up and the quality of use. How can businesses be encouraged to make best use of broadband? It was suggested that the public sector has a role as a model of best practice in the use of ICT. Major Scottish companies have time and resources to how best to utilise it, small firms feel that they have the required access for what they need to do, but medium sized firms appear to be struggling. How can this be addressed?

87. The Executive recognises that take-up and effective use are key factors to maximising actual broadband benefits. We have already implemented substantial demand-side measures targeted at small and medium sized businesses including a Scotland-wide, award-winning marketing campaign, an impartial information website³⁴ and a broadband business incentive/grant scheme. These have greatly increased interest in broadband and contributed to an estimated rise in business take-up from 4% two years ago to around 19%.

88. On usage, the Enterprise Networks e-demo centres³⁵ are providing SMEs with free and impartial broadband advice and demos of equipment, software and technology, and there is extensive online support - including a self-assessment tool, available through the

³¹ <http://www.hmso.gov.uk/legislation/scotland/acts2000/20000006.htm>

³² <http://www.scotland.gov.uk/library5/education/nper-00.asp>

³³ <http://www.scotland.gov.uk/pages/news/2004/06/SEEL345i.aspx>

³⁴ <http://www.broadbandforscotland.co.uk>

³⁵ <http://www.scottish-broadband.co.uk/ebdc.asp>

enterprise agencies' websites. We are considering further measures both to promote take-up and usage and these will be announced in due course.

Transport Infrastructure

89. Delays on roads are costing businesses money. After 5 years of devolution the only major project to get started is the Larkhall to Milngavie rail link. Too much transport infrastructure needs to go through the Scottish Parliamentary legislative system – how can this be reduced?

90. Public transport infrastructure projects can often only follow the Scottish Parliament's consideration of a Private Bill. This, in itself, is a significant improvement on the situation where such Bills had to be dealt with at Westminster. But we are not complacent and recognise that the need for legislation is still a barrier to early implementation of projects. This is recognised across the Parliament and the Procedures Committee has called for evidence on how to improve the Private Bill process or on possible alternatives. The Scottish Executive will work positively with the Scottish Parliament to create a system that is more efficient but still gives a fair hearing to those with a legitimate interest to protect.

91. How can Scotland protect public sector funding [in transport] from the political cycle - stop-start funding raises a number of issues?

92. Last year the Executive moved for the first time from short-term 3-year budgeting to a broader 10-year planning horizon for major transport infrastructure projects. This enables us to develop a long-term strategic investment plan.

Scotland in the World Marketplace

93. Scotland's marketing needs to be targeted, consistent, persistent and above all done with vision – at the moment it seems confused. Attractiveness, quality of life and a good environment could be all marketable features of the country. How do we measure the success of Scotland's marketing?

94. The First Minister announced the Scotland's International Image project as part of his on-the-record briefing at Edinburgh Castle on 1 July³⁶. The first actions include publication of the research, consultation on Scotland's image overseas and the first phase of the new campaign to promote Scotland internationally. This first phase, running up to the opening of the new Parliament building, will include a programme of familiarisation visits for the international media, with visits from priority countries by October, new promotional materials, the development of the website³⁷ as the main portal for promoting Scotland, and a programme of overseas Ministerial visits, starting with a visit by the First Minister to China in October.

³⁶ <http://www.scotland.gov.uk/News/Releases/2004/07/5752>

³⁷ <http://www.scotlandistheplace.com>

95. Scotland needs to get better at making cultural and business connections abroad, especially with similar countries with successful economies, like Finland, Belgium and Switzerland. We need a presence in key organisations overseas that play in our markets or where we play in theirs to influence decision makers – how can this be done?

96. The Executive is working to build on progress making connections abroad – and will continue to consider how we might do so more effectively. We are working on a global marketing campaign to promote Scotland overseas, as part of our wider strategy to promote Scotland's interests better, and to get the best possible results for Scotland in all our overseas business. We are working to improve promotion of Scotland, the public face of Scotland, and to build closer and sustainable networks between the business and cultural agendas. A key element in our effort is "Fresh Talent"³⁸, ensuring that Scotland is known as one of the best places in the world to work and live.

97. The Executive also recognises the value of interpersonal contact in effective influencing and the creation of sustainable relationships. Scottish Development International³⁹ through its global network of offices is working to build constructive and long term relationships with decision makers in those global companies that are most important for Scotland, because they have major existing links or high potential for future business links.

98. To help achieve a presence in key organisations overseas the Scottish Enterprise globalscot⁴⁰ international network aims to harness the talents, expertise and experience of Scots and allies of Scotland throughout the world. It is working to connect influential people who have links to Scotland and want to contribute to and share in its economic success. Targeted for their expertise across a range of key sectors such as life sciences and financial services, globalscot members are committed to raising the profile of Scotland and helping it achieve greater things. Globalscots have made a wide variety of contributions to companies and individuals in Scotland including working directly with Scottish companies to help them access new markets, locate opportunities and gain advice and feedback on their plans and activities.

99. The re-launched Global Friends of Scotland⁴¹ project has a diverse network of people to promote Scotland's successful activities internationally. Friends undertake a wide range of activities and, both through personal efforts and through their involvement in other networks, are spreading the message of Scotland's current achievements. The involvement of these individuals allows for the potential of developing working relationships which are of benefit to Scotland.

³⁸ <http://www.scotland.gov.uk/about/FCSD/MCG-NW/00018738/Introduction.aspx>

³⁹ <http://www.scottishdevelopmentinternational.com/pages/index.asp>

⁴⁰ <http://www.globalscot.com/public/index.aspx>

⁴¹ <http://www.friendsofscotland.gov.uk/index.html>

Recycling/Renewables

100. The cost of waste disposal is hurting Scottish firms. Business obviously has a responsibility to minimise, reuse or recycle waste as much as possible but it is up to government to put in place the infrastructure to allow us to do that. A welcome and inexpensive start could be to extend the existing segregated household collections to local businesses.

101. The Executive believes waste minimisation brings both economic and environmental opportunities and benefits to businesses by cutting costs and improving efficiency. We are keen for Scottish businesses to seize opportunities in providing goods and services to meet the growing demand for recycling and greater waste minimisation. We are developing a Green Jobs Strategy⁴² to look at how government can help Scottish business to exploit these opportunities. The Executive encourages all those with an interest in sustainable economic development and the economy in general to take part in the public consultation process on the Green Jobs Strategy.

102. We support organisations such as the Business Environment Partnership (BEP)⁴³ to advise individual businesses on resource efficiency (including waste) and assist with the implementation of this advice free of charge. We also work with Envirowise⁴⁴, a UK Government programme (funded equally by DTI and DEFRA), which provides companies with free, impartial and confidential help and advice on environmental issues, resource efficiency and sustainable energy solutions. In Scotland, the programme is managed in association with the Scottish Energy Efficiency Office (SEEO), part of ETLTD. A recent successful initiative to support SMEs was the Resource Efficiency toolkit for the FSB in Scotland, launched by a partnership including SEEO, Envirowise and BEP. The toolkit, a self-help guide for smaller businesses, has been well received, and has been issued to more than 35,000 businesses to date.

103. The UK government has stated its intention to increase landfill tax and the cost of waste disposal for businesses will rise. The Executive acknowledges the need to ensure infrastructure is in place to provide businesses with the opportunity to minimise, reuse and recycle their waste. The Executive and SEPA have established a business waste minimisation steering group which includes representatives from the business community. £1.1m has been allocated by the Executive to business waste minimisation in each of 2004-2005 and 2005-2006. The steering group will consider where this money can best be targeted and ensure that infrastructure is in place and information available for business.

104. The Executive is also committed to producing a non-municipal waste framework by the end of 2004. The framework will be developed in consultation with business and outline the way in which the Executive will tackle commercial waste.

105. Scotland has substantial aspirations and ambitions in renewables, but how can those with reserved powers be encouraged to share these?

106. The Executive works very closely with other stakeholders, particularly the DTI and the regulator, Ofgem. Although matters such as regulation of the electricity industry are reserved to Westminster, the Executive is represented on all key groups that consider issues that impact on Scotland and the energy sector here. For example, the Executive is fully involved in the discussions that will lead to new British electricity transmission and trading

⁴² <http://www.scotland.gov.uk/consultations/environment/tgisc.pdf>

⁴³ <http://www.thebep.org.uk/category.asp?TopCatID=1&sessCharSize>

⁴⁴ <http://www.envirowise.gov.uk/>

arrangements being introduced on 1 April 2005. A number of representations on key issues affecting the Scottish sector have been made to UK Government colleagues which have led to changes being made in the arrangements originally proposed.

107. One area of substantial opportunity could be to combine reuse/recycling with social enterprise - a small amount of grant money could be spent undertaking a feasibility study.

108. The Executive has introduced a £5 million Strategic Waste Fund : Community Sector⁴⁵ for community waste sector organisations which aim to deliver projects in line with the National Waste Plan. There are many opportunities for social enterprise organisations to deliver waste reduction, reuse, recycling and composting initiatives. The Executive is also providing £600,000 over two years to the Community Recycling Network for Scotland⁴⁶ to allow them to assist the development of such initiatives.

Planning & Regeneration

109. The planning system does not encourage entrepreneurship or development – how can this be addressed?

110. The Executive is committed to improving the planning system in Scotland to strengthen involvement of communities, speed up decisions, reflect local views better and allow quicker investment decisions. The Executive recognises that in promoting economic development it is important that greater public involvement and consensus in planning is achieved without introducing undue delays in decision-making or undermining the responsibilities of decision makers.

111. In 2002, the Executive published *Scottish Planning Policy 2: Economic Development* (SPP 2)⁴⁷ which recognises that the planning system should provide strong support for economic development, both new and expanding businesses, where it is consistent with other national and local policies, in particular the promotion of social justice and sustainable development. SPP 2 looks to planning authorities to ensure that existing business locations are able to meet the anticipated changes in the economy and that they provide choice for a diverse range of economic developments.

112. Is Scotland going to embrace the findings of “towards an urban renaissance” (the response of the urban taskforce published in 2000) in the way it has been done effectively in England and pursue an agenda of physical regeneration underpinned by cogent and long term urban master planning?

113. In 2001 the Executive issued its first ever *Policy Statement for Scotland, Designing Places*⁴⁸. It aims to promote high quality design in the built environment – both in urban and rural areas. This was followed by Planning Advice Notes on *Housing Quality*⁴⁹ and *Design Statements*⁵⁰ published in 2003.

114. The Executive will continue to drive forward the design agenda, and produce further design based Planning Advice Notes. One in particular will be a revision of PAN36 on *Housing in the Countryside*. This will address rural design issues and will be jointly launched

⁴⁵ <http://www.scotland.gov.uk/about/ERADEN/SCU/00017108/alternative.aspx>

⁴⁶ <http://www.rags.org.uk/crns/index.htm>

⁴⁷ <http://www.scotland.gov.uk/library5/planning/spp2-00.asp>

⁴⁸ <http://www.scotland.gov.uk/library3/planning/dpps-00.asp>

⁴⁹ <http://www.scotland.gov.uk/library5/planning/pan67-00.asp>

⁵⁰ <http://www.scotland.gov.uk/library5/planning/pan68-00.asp>

with the revised SPP15 *Planning for Rural Development*⁵¹. A Planning Advice Note on *Better Design For Communities* is also in preparation, while a further proposed Advice Note will promote more use of the urban design toolkit, including master planning.

115. What steps are the government taking to create a rural renaissance to match the urban renaissance that does not limit rural areas to agriculture and tourism as an economic development paradigm?

116. As part of the Executive's strategy, a draft Scottish Planning Policy *Planning for Rural Development*⁵² was published for consultation in January 2004. This draft sets out a planning vision for rural Scotland to help meet the Executive's overarching policy aim, as published in *Rural Scotland – A New Approach*⁵³ aimed at helping create and maintain prosperous rural economies, with a stable or increasing population - balanced in terms of age structure - and with reasonable access to good quality services. The draft SPP highlights that the economic structure of rural Scotland has changed rapidly in recent years and makes it clear that the differences in the way people earn their living between town and country are becoming less distinct. It draws attention to the fact that more people now live and work in rural areas without being part of, for example, the agricultural economy.

117. Planning's role in advancing the rural vision is to enable and help create opportunities in sustainable locations. The draft SPP states that planning authorities should support a wide range of economic activity in rural areas. The draft SPP was prepared in consultation with a core group and wider sounding group of key stakeholders including the Federation of Small Businesses and other business interests. Responses to the draft are currently being considered and we intend to finalise the SPP with the assistance of the sounding group and publish it in the autumn.

An Entrepreneurial Culture

118. Do we have a culture that encourages the entrepreneur? Is the culture one that encourages risk taking, celebrates success and does not damn failure and enjoy competition and change? One example given that suggests we don't is the adverse reaction to RBoS's annual results.

119. The success of Scottish key companies demonstrates the vibrancy of Scotland's financial services industry, and its ability to compete and succeed globally. The negative portrayal of success in Scotland is an issue – it can lead to risk-aversion and a fear of failure. The Executive is playing its part in celebrating success and promoting Scotland, supporting young people and their families, and encouraging innovation and creativity in schools and beyond. However, the ongoing challenge is recognised, and the Executive will continue to look at what more could be done to encourage ambition and entrepreneurialism.

120. Confident and aspirational Scotland - how do we overcome the fear factor that inhibits business start-up and growth? Do we have the desire, focus and wherewithal needed to succeed and grow businesses?

121. The Executive is committed to building a confident Scotland. Too many people in Scotland are held back by a fear of failure. Cultural change does not happen overnight, and the government cannot bring it about alone. However, the Executive is committed to

⁵¹ <http://www.scotland.gov.uk/consultations/planning/prd-00.asp>

⁵² <http://www.scotland.gov.uk/consultations/planning/prd-00.asp>

⁵³ <http://www.scotland.gov.uk/library2/doc15/rsna-00.asp?textonly=FALSE>

creating a nation of opportunities, where every Scot is able to realise his or her full potential – regardless of geography, background or experience. Devolution gives us the chance to effectively shape our own future, to build a culture of aspiration and ambition and instil a real sense of belief and hunger for success in all our people. The same hunger for success is a fundamental ingredient in stimulating the future growth of Scottish businesses. Growth that will lead to greater job creation and wealth. The *Determined to Succeed* strategy, giving young Scots exposure to business thinking and the ability to develop entrepreneurial skills, is an example although its real impact will lie in the future. That is why “Growing Businesses” will continue to be an important feature of *A Smart, Successful Scotland* and a focus of activity by the Enterprise Networks.

Fresh Talent

122. The employment rights of the foreign work force is an issue that needs to be addressed.

123. Employment rights both in the sense of rights for people from overseas to come and work in the UK, and in the sense of legislation governing rights of employees, are reserved to the UK Government. The Executive, in co-operation with the UK Government, has launched a Fresh Talent initiative to encourage talented people from overseas to come to Scotland to work and study. The report *New Scots: Attracting Fresh Talent to Meet the Challenge of Growth*⁵⁴ issued in February 2004, sets out the initiative in detail. Since then a dedicated web-site⁵⁵, has been launched and enlargement of the European Union from 1 May 2004 has increased the number of foreigners with easy access to Scotland and the rest of the UK to work and study. Further measures to implement the Fresh Talent initiative are in hand, including the establishment of a Relocation Advisory Service, to open in October. Where people from overseas are successful in finding legal employment in the UK their rights as employees will generally not differ from those of indigenous employees.

⁵⁴ <http://www.scotland.gov.uk/library5/government/afttm-00.asp>

⁵⁵ <http://www.scotlandistheplace.com>