

PREPARING FOR RECOVERY: UPDATE ON THE SCOTTISH ECONOMIC RECOVERY PROGRAMME

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15 June 2009

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ISBN: 978-0-7559-8073-4

The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

Produced for the Scottish Government by RR Donnelley B60838 06/09

Published by the Scottish Government, June 2009

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Please contact 0131 244 3342
or EconomicStrategyDirectorate@scotland.gsi.gov.uk

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Introduction: taking stock, looking ahead, moving forward

These are difficult times for businesses and families across Scotland. It is clear that Scotland is now officially in recession and we face the prospect of negative or below trend growth lasting into 2010.¹ Nevertheless, the Scottish Government remains focused on recovery, pressing ahead with our commitments to protecting jobs, supporting communities and investing to ensure Scotland is well placed to take advantage of the recovery when it comes.

These are commitments that have consistently been at the heart of this Government. In our *Government Economic Strategy*,² published in November 2007, we set out a central Purpose of creating a more successful country through increasing sustainable economic growth. That Strategy is even more relevant in a period of economic difficulty than it has been in better times. Our Economic Recovery Programme builds on the *Government Economic Strategy*.

The Economic Recovery Programme is a constantly-evolving framework for action, undertaken collectively by the Scottish Government, local government, public bodies and our social partners working together. From the start of the downturn, we have been reviewing all aspects of Government and taking forward measures designed to have the maximum impact on helping households and businesses through the recession. As public sector finances face tougher pressures in the coming years, we will continue to focus on the critical actions to prepare Scotland for recovery. As our initiatives begin to have an impact, we will monitor their effectiveness and use the evidence to inform the continuing development of the Programme.

The Programme takes forward the *Government Economic Strategy* by developing the underlying sources of our competitive strength. Using the levers currently available to the Scottish Government, our Strategy identified five strategic priorities that are essential for economic growth: infrastructure and place; learning, skills and well-being; a supportive business environment; effective government; and equity. The Economic Recovery Programme sets out how these priorities will drive economic growth during the downturn. They provide the foundation for recovery, a foundation that will adapt to changing needs.

This is a good point to review the Programme – looking back at the impact that some of the existing measures have already had, looking ahead to the longer-term challenges of the Scottish economy and the opportunities that continue to exist even in the recession. This update focuses on what we are doing and what we intend to do to: support jobs and our communities; strengthen education and skills; and invest in innovation and the industries of the future. It looks at how our actions to date are delivering important benefits to Scotland in these areas, work that we will continue to refine.

¹ www.scotland.gov.uk/Topics/Economy/state-economy.

² www.scotland.gov.uk/Publications/2007/11/12115041/0.

A continuing focus on our long-term ambitions is essential. Despite the recession, there are positive signs throughout the economy. For example, Welcon Towers announced in March that it would take over the Vestas wind turbine manufacturing plant near Campbeltown, safeguarding 100 jobs with plans for a further 300 people to be taken on over the next two years. Tesco has set out plans to make Edinburgh the headquarters for its personal finance branch, which should result in an extra 200 people being recruited over the next year. Virgin Bank is also locating many key parts of its operations in Edinburgh with the creation of 100 jobs. There are many examples of businesses growing through the downturn, but we are not complacent about the hardships that many businesses and individuals will face in the coming months. It is essential that we maintain momentum in doing all we can to build the competitive advantages of our economy.

In particular, there are opportunities for growth that may be the basis for the key industries of the future. In renewables and green energy, Scotland continues to enjoy high levels of investment and an increasing recognition that we can become a world leader in the industry. Only a month ago, the first comprehensive study of carbon capture and storage in the UK highlighted Scotland's competitive advantage in this area. Only a few weeks ago, our record investment in renewables infrastructure was marked by the opening of Europe's largest operating onshore wind farm in East Renfrewshire. In tourism, Homecoming 2009 is providing a unique stimulus to our tourism industry. Across all the industries emerging as the drivers of future economic growth – life sciences, food and drink, creative industries and others – we are continuing to target our investment, support for skills and efforts to work with business in preparation for recovery.

Our approach is founded on co-operation across the public, private and third sectors – at local as well as national level. The determination to work collectively is as visible in what we and our partners are doing together at national level as it is in what Local Authorities and Community Planning Partnerships are doing in every part of the country. The Concordat with local government, signed in 2007, sets out a commitment to a consensus approach to government. We see across the country Local Authorities formulating their strategy for economic recovery in their own areas. Our ability to respond to the current challenges together – national and local government acting with each other for a common purpose – makes the strength of our partnership with local government even more vital.

Similarly, our effective engagement with Scottish businesses and social partners continues to push ahead: in the National Economic Forum in March; in the Rural Economic Summit in June; in the programme of business breakfasts where Ministers have heard directly from businesses about their experiences and their aspirations; and in the series of meetings held by Cabinet with social partners – trade unions, business organisations, the third sector, the lifelong learning community, faith groups and local government – on what more needs to be done to support recovery. We are also working in co-operation with the UK Government on many initiatives. We are responding with a Programme that draws on the best ideas for action from across the nation – but as always, we are looking to do more.

Our Programme is designed to have an immediate and a longer-term impact. In the short term, the Programme has the capacity to support up to 15,000 jobs by: accelerating capital spend to provide a direct and timely stimulus to our construction and manufacturing sectors; taking forward our Homecoming initiative to help employment in our tourism industry; and bringing forward spending in our European Structural Funds programmes to support new projects and assist people back into employment. Over the longer term, the investments we are making now in key sectors and new technologies will create the foundations for continued employment and growth in these areas.

We have no doubt Scotland has the ambition and talent to take full advantage of the recovery. As our Programme demonstrates, we know that if government works closely with public, private and social partners and responds swiftly to new challenges, opportunities and ideas, our economy will not only recover, but our goal of a thriving, prosperous Scotland will be achieved.

Supporting jobs and our communities

Supporting those in work and those seeking to get into work is central for growth and long-term prosperity. That requires targeted action to help individuals as well as communities mitigate the impacts of the downturn. In this way, the Government will protect the progress made towards our longer-term Purpose of increasing sustainable economic growth.

To support individuals, we have placed priority on 'demand-side' action to maximise the employment opportunities available. In particular, the Scottish Government – in partnership with local government and our key agencies – has used capital spending programmes to inject an essential short-term stimulus into the economy, boosting jobs and economic activity at a time when demand has fallen sharply. This will be highly important for the Scottish construction sector, which has been badly affected by the impact of the credit crunch on private sector investment. By accelerating capital spending as much and as quickly as possible, we are working to maintain key skills in this sector and across the Scottish economy, keeping people in employment through the worst of the recession.

On the 'supply side', we have also taken important steps to reduce the costs and burdens faced by businesses and improve their competitiveness by lowering taxes and other public sector charges relating to business activity. More directly for individuals, we are helping people cope with the financial burdens and uncertainty caused by the downturn and its damaging impact on their motivation and ability to take part in the labour market, not least by improving the availability of legal and financial advice.

This is reflected in the recent measures taken as part of our action on economic recovery.

- **We are reducing the tax and fees burden on businesses and households wherever possible to improve their resilience.** In April, the Small Business Bonus Scheme was expanded, saving the average small business owner £1,400. At the same time, we are allowing businesses to spread 60% of this year's annual increase over three years. Our public bodies are supporting businesses as well: for example, Scottish Water has announced that it will help house-builders by delaying the point at which connection charges are payable across the country while the Scottish Environment Protection Agency has put in place an applications fee waiver. We are also helping households by providing the funding for an extension to the council tax freeze into 2009-10, giving Scottish families a saving of £420 million over three years.
- **We are increasing the resources to help individuals with financial and legal advice to enable them to adjust to the challenges of the downturn.** An extra £3 million has been provided to the Scottish Legal Aid Board for debt and financial matters and an additional £1.1 million to Citizens Advice Scotland to expand its advisory services.
- **We are continuing to ensure our capital spending provides an important short-term stimulus to the economy.** We have increased our investment in council house-building from £25 million to £50 million – the first central government funding to encourage Local Authorities to build new housing in 30 years – and announced record spending of £644 million this year on our Affordable Housing Investment Programme. Following the UK Budget we are allocating an extra £31 million in budget consequentials in 2009-10 to boost affordable housing supply, which will include: new funds to accelerate and sustain investment in new housing developments for affordable rent across the country; and funding to kick-start and unblock private developments in return for mid-market rent properties and low-cost home ownership. This is on top of the major acceleration of our spending programmes.

Supporting jobs through bringing forward our capital spending

The Budget for 2009-10 accelerates £293 million of capital spending into 2009-10, on top of £53 million in 2008-09. In total, we estimate that this accelerated investment will support around 6,350 jobs in the Scottish economy over the next year.

Local Authorities are investing £90 million to accelerate a range of capital spending programmes spread across Scotland. These include new and refurbished schools, social work facilities, new recreational facilities and a range of key infrastructure projects necessary to support the economy and community development. This accelerated capital has enabled, for example: Dumfries and Galloway Council to bring forward a £1.7 million extension and refurbishment of Annan Academy; and South Lanarkshire Council to start work on the £8.5 million Udston Primary School in Hamilton a year earlier than planned.

We are investing £29 million to deliver **road improvements and enhanced park-and-ride facilities** to cut congestion. This includes £5 million in capital grants brought forward to allow Strathclyde Partnership for Transport to develop 10 schemes in 2009-10, which will reduce traffic on busy commuter routes into the city and promote more use of public transport services.

Colleges and universities are benefiting from £20.5 million of extra infrastructure improvements from the acceleration of capital spending over 2008-10. Examples of new activity include: the upgrading of the entrance to John Wheatley College's Easterhouse campus; refurbishment of Elmwood College classrooms to meet curriculum demands; refurbishment of the Aero Engineering facility at Perth College; refurbishment and remodelling of the George Square library at the University of Edinburgh; acquisition of the Western Infirmary and other NHS buildings by the University of Glasgow; and development of the Riverside Sports Facility by the University of Dundee. The college sector will further benefit from an additional £12 million in capital investment in 2009-10 from the 2009 UK Budget consequentials.

Scottish Enterprise is accelerating £30 million of investment in key projects that will deliver wider benefits to the Scottish economy including investment in: the Edinburgh Bio-Quarter (such as construction of the Scottish Centre for Regenerative Medicine); the SECC in Glasgow (as part of a major contribution to the £120 million National Arena for Scotland for the 2014 Commonwealth Games); and Fife Energy Park (including the 'Hydrogen Office', a major sustainable development demonstration project). At the same time, **Highlands and Islands Enterprise** has accelerated capital spend in Moray and Argyll and has committed match-funding towards infrastructure projects with the University of the Highlands and Islands.

Health Boards are also being supported with an additional £50 million in 2009-10 to maintain planned investment programmes in new and refurbished health facilities, medical equipment and IT across NHSScotland.

As well as our support for individuals, we recognise that strong, resilient and supportive communities, based on equality of opportunity for all groups, are essential for increasing sustainable economic growth. The *Government Economic Strategy* highlights this with its focus on developing infrastructure and place. That is why we have been working on a comprehensive change of the planning system to ensure the right developments can take place quicker. It is also why we are continuing to take actions to make our communities safer and stronger, creating environments that will enable all to make their full contribution to recovery: for example, we announced in June investment of an additional £4 million to fight serious crime, and in March, recorded our highest ever number of police officers.

Delivering equity and greater equality is another key priority which will drive economic growth. The effects of recession – including unemployment, loss of earnings and a sluggish housing market – can have significant consequences for people and communities across Scotland. As the *Government Economic Strategy* sets out, it is critical that that we continue to work towards greater social equity and ensure that disadvantaged groups and communities are connected to the mainstream economy, not least during a period of downturn. To realise their full economic potential, we need to support the most vulnerable individuals and households through their community and third sector groups. For example, we are investing £23 million over three years to address the needs of those affected by discrimination and prejudice and improve the life chances of those facing inequality and disadvantage.

Health spending also makes a key contribution to short and long-term economic growth. Good-quality and sustainable employment depends on good physical and mental health, which can deteriorate in the downturn. We are reviewing our *Healthy Working Lives* strategy to make sure that it is fit for purpose, promoting health and well-being in the workplace, providing support for those with health conditions to retain and return to work, and helping those out of work due to poor health move towards employment. Reducing inequalities in health across communities through *Equally Well*³ – which addresses underlying causes of poor health such as poverty and children’s start in life – and through targeted programmes like Keep Well will further support the sharing of wealth and achievement of the *Government Economic Strategy*’s cohesion and solidarity targets within the framework of the Programme for Economic Recovery.

Our new actions in support of communities include the following.

- **We are investing directly in our communities to ensure that they remain supportive environments for individuals and businesses during the recession.** A £60 million Town Centre Regeneration Fund was launched to create stronger communities and support local economies, with the first offers of grant to be made in the summer. In our rural communities, we are encouraging their development through a number of measures including support under the Scottish Rural Development Programme and the European Fisheries Fund and putting LEADER action plans in place across rural Scotland. To make our communities more energy-efficient, we have announced our plans for a new £30 million area-based home insulation scheme, that will give assistance to some 90,000 homes in its first stage.
- **We are working to ensure our local communities are safer, stronger places and can fully support Scotland’s ability to recover from the economic challenges.** For example, we are investing £12 million of Proceeds of Crime investment through our Cashback for Communities scheme, giving young people positive alternatives to economic inactivity.
- **We are making it easier for the right developments to go forward quickly by accelerating improvements to the planning process.** The *Government Economic Strategy* highlighted the importance of effective government as a driver of growth. This has been reflected in the extensive package of measures introduced to modernise and streamline planning. One example of this is the recent launch of our ePlanning initiative.

³ www.scotland.gov.uk/Publications/2008/12/10094101/0.

Supporting our communities through a new approach to online planning applications

Launched in April, ePlanning is a new online system to enable people in all parts of Scotland to apply for developments, appeal against decisions and track progress of proposals.⁴ The initiative will make Scotland's planning system simpler, faster and more accessible and provide a consistent level of service throughout the country. The service offers:

- a facility to apply online for planning permission or an appeal;
- more planning information online, allowing the progress of applications and appeals to be tracked and decisions to be better understood;
- a mechanism to consult electronically with statutory consultees; and
- information on local development plans.

The initiative has been developed in partnership across the public sector with the involvement of all of Scotland's councils, national parks, Historic Scotland, Scottish Natural Heritage, Scottish Environment Protection Agency, Transport Scotland, Scottish Water and the Scottish Government. It could save planning authorities and users £60 million over 10 years in return for an initial investment of some £11.2 million.

The Scottish Government has been taking specific action to support jobs and communities through the downturn since summer 2008. From what we have heard in meetings across the country, the benefits of some of the measures are already being felt by communities, businesses and households. One important area where we took early and decisive action was our accelerated investment in affordable housing.

⁴ <https://eplanning.scotland.gov.uk/WAM>.

Making a difference with investment in affordable housing

In 2008-09, as part of our commitment to accelerate public spending, we brought forward £40 million of funding for the Affordable Housing Investment Programme from 2010-11. £5 million of the accelerated funding was directed to the Home Owners Support Fund Mortgage-to-Rent programme, increasing it to £15 million. The remaining £35 million was allocated to projects in 28 Local Authority areas to fund accelerated construction activity, purchase unsold units 'off the shelf' from private developers and fund land acquisitions to accelerate future developments. Final figures are still being compiled but initial analysis shows that over 500 unit approvals were delivered through this accelerated funding and the full £40 million was spent in 2008-09.

On the accelerated funding made available by the Scottish Government to enable housing associations to buy unsold stock from developers, Mark Claire, Chief Executive of Barratt Homes said: "We have had some real success in Scotland in terms of sales of some of our private units to the various housing associations. In Scotland we found, partly because the relationships are very good locally, quite a few opportunities where they were short of product and we had product available."

(Source: *The Scotsman*, 26 February 2009)

In addition to this successful outcome for 2008-09, £80 million has been brought forward from 2010-11 to 2009-10. Because of this we have announced a record programme of £644 million in spending and the planned approval of over 8,100 homes in 2009-10.

Scottish Government projections show that each new investment of £100 million in the housing sector would support around 1,000 jobs directly, with an additional 600 jobs within related supplier industries.

Strengthening education and skills

The *Government Economic Strategy* and *Skills for Scotland: A Lifelong Skills Strategy*⁵ make clear the vital contribution that education and skills make towards driving economic growth. The Scottish Government is committed to investing to mitigate the effects of the recession, ensuring that individuals can re-enter the workplace as quickly as possible and businesses have the skills needed to grow.

Skills for Scotland sets out a vision for a Scotland where all our young people are successful learners, confident individuals, effective contributors and responsible citizens. It aims for a Scotland where all people can make their full contribution to economic growth as well as building a fairer, more equitable Scotland. *Skills for Scotland* is guided by the three principles of: creating a cohesive system; providing education and training that treats people as individuals; and stimulating and meeting real demand from employers. We are working closely with key partners such as Skills Development Scotland, the Scottish Funding Council and others to realise this vision.

⁵ www.scotland.gov.uk/Publications/2007/09/06091114/0.

Our commitment to this vision is reflected in: *Curriculum for Excellence*⁶ – the most radical education reform in Scotland for a generation; the *Early Years Framework*,⁷ our joint approach with COSLA to give our children the best start in life; and our continuing work with Further and Higher Education to make sure that the supply of education and skills is responsive to demand. Scotland's ability to take full advantage of economic recovery will depend on the investments we make now to support our children, young people and their families.

To achieve this, we have introduced a wide range of measures to increase access to education and training, bolster the capacity of our key institutions to provide the right educational and training support, and improve the value of training in the economy.

- **We are assisting children in education and their families.** For example, we are extending entitlement to free school meals from August 2009 to benefit around 44,000 pupils.
- **We are working with businesses to maximise the use of skills.** In September 2008, we established the Skills Utilisation Leadership Group to champion the best use of skills in the workplace, vital for businesses positioning themselves for recovery. Scottish Enterprise, Highlands and Islands Enterprise and Skills Development Scotland will embed support for skills utilisation across their services. The Scottish Funding Council is providing £1.8 million over two years for a programme of 12 projects led by colleges and universities to pilot new approaches that support the effective use of skills in the workplace.
- **We are providing access for more people to the right learning and skills training.** We will open up access to Individual Learning Accounts to an extra 250,000 people on low incomes by increasing the income assessment threshold from summer 2009. We are extending fee support for taught post-graduate students to part-time students in 2009-10 and have increased the funding available through Career Development Loans. In addition, we are guaranteeing education opportunities for all young people through 16+ Learning Choices.

⁶ www.ltscotland.org.uk/curriculumforexcellence.

⁷ www.scotland.gov.uk/Publications/2008/03/14121428/0.

Strengthening education through 16+ Learning Choices

In our *Curriculum for Excellence, Building the Curriculum 3* makes it clear that every young person is entitled to a senior phase of learning and we have recently launched 16+ Learning Choices to support this. 16+ Learning Choices will offer a place in learning to all young people in Scotland who want it by December 2010, and will support every young person as they reach their compulsory school-leaving age – 60,000 individuals each year. This will help us to avoid a lost generation by offering all young people the opportunities and support they need.

In support of this, we recently announced that we will be investing £16 million over the next two years to develop pilots of Activity Agreements – an improved way of recognising and supporting our most vulnerable young people's learning in a community or third sector setting. The pilots will be targeted at those young people who leave school and go into a negative destination – there were 7,000 such young people in 2007-08.

To create thousands of additional college places to meet the rising demand caused by the economic downturn, in particular from school-leavers, we are increasing the capacity of our colleges by providing an additional £16.1 million over the next two years from the 2009 UK Budget consequentials.

The Scottish Government has also responded rapidly to the economic downturn to ensure that businesses and individuals have access to the necessary advice, support and training to weather the recession. *ScotAction*, launched on 10 June, is the Scottish Government's skills support package for helping Scotland out of recession and into longer-term economic growth. *ScotAction* is an integrated package combining new and improved measures to help individuals and businesses through the recession and provides skills assistance – including wage subsidies in some circumstances – for training for work, training in work and training from work to work. This includes extensive activity in support of apprenticeships.

Strengthening skills through supporting apprenticeships

Skills Development Scotland has responded to employers to ensure that Modern Apprenticeships (MAs) and other skills interventions meet both the current and future needs of businesses. As a result of this collaboration a number of changes have been made:

- funding for adult MAs being re-introduced in areas where employers have demonstrated evidence of demand, such as Meat Processing, Bakery and Printing;
- Level 2 MA Frameworks being approved in sectors such as Construction and Food and Drink; and
- a new Life Sciences MA Framework.

In February, the Scottish Government announced £16 million in funding to support an additional 7,800 new apprenticeships this year, including:

- 1,000 apprenticeships for young people in Glasgow to support the Commonwealth Games Legacy proposal;
- 50 all-age apprenticeships for the Creative industries; and
- 100 all-age Home Energy and Efficiency Apprenticeships.

Over 150 employers and key partners attended our first ever Apprenticeships Summit in April to determine how to stimulate apprentice recruitment and ensure that our apprenticeship programme adapted to the challenges of the recession. As a direct result, we are introducing through *ScotAction*:

- adult apprenticeships in sectors with clear employer demand starting with 500 in Hospitality and Tourism; and
- a wage subsidy of up to £2,000 for employers who take on a redundant apprentice.

We have also acted to strengthen the services available to those who face redundancy or unemployment.

- **We have increased the support for people facing redundancy.** Our service for tackling actual and threatened redundancies across the country – the Partnership Action for Continuing Employment (PACE) initiative – has been further strengthened with the launch of a national helpline. Skills Development Scotland co-ordinates PACE at a national level and has secured £1.4 million of European Social Fund support to help an additional 4,600 individuals. Following the PACE Summit in February we are establishing a national PACE Partnership to further improve the service's responsiveness.
- **We have improved the training available to the unemployed.** For example, we have changed the eligibility rules for the vocational training available through Training for Work so that those who become unemployed can get access to it more quickly.
- **We are making the public sector's approach to employment and skills more joined up and effective.** Pilots have been launched in 25 sites to better integrate employment and skills services with Jobcentre Plus and Skills Development Scotland. These sites bring together career and employment advice with support for skills training more effectively and have already helped over 1,000 people.

An important element of all our activity has been making the best use of the funding available through the **European Social Fund** to support individuals entering or remaining in work. In March this year, we announced £5.6 million to fund 33 projects, supporting 7,000 people in the Highlands and Islands, and in April, £24.1 million to fund 79 projects, supporting 75,000 people in the rest of Scotland. Examples of these projects include:

- Right Track Scotland, which was awarded £108,183 to support 100 young people outside of mainstream education with training in personal development, action planning, core skills, preparation for employment and work experience; and
- the Prince's Trust, which was awarded £566,711 to support 744 young people in need of better opportunities and provide a 6-8 week career taster, skills training, a guaranteed job placement and interview on completion.

We also recognise the need to address the particular difficulties faced by our most vulnerable citizens, particularly those with lower skills levels. For this group, short spells of unemployment can cause greater long-term social damage, leading to a deterioration of skills and knowledge that has long-term implications for economic recovery. Our support to those most vulnerable to the effects of the downturn includes the following actions.

- **We are investing directly in the capacity and capability of the Third Sector to deliver effective services to vulnerable individuals.** This includes the establishment of the Scottish Investment Fund, Third Sector Enterprise Fund and Social Entrepreneurs Fund and the provision of £93 million in funding over the next three years to help the sector. In June, we set out an Enterprising Third Sector Action Plan to create the right conditions to support a thriving third sector and are monitoring the impact of the recession and long-term resilience. In partnership with the sector, we are also developing proposals to provide practical assistance to mitigate the impacts of increased demand for services and cash-flow difficulties caused by the recession, including the design of a Resilience Fund.
- **We have developed a comprehensive set of actions to support the poorest households in our joint anti-poverty framework with COSLA, *Achieving Our Potential*.**⁸ For Scotland to benefit fully from the recovery, it is critical that we enable all people to make their full contribution to growth and enjoy the benefits of that growth. Working with public, third and private sector partners through *Achieving Our Potential*, we will maintain our clear focus on tackling income inequality.

⁸ www.scotland.gov.uk/Publications/2008/11/20103815/0.

The measures we have introduced since the economic downturn are starting to bring real benefits across the country, as the following example of how colleges are supporting the PACE initiative shows.

Making a difference with PACE

The Scottish Funding Council provided an additional £7 million for 18 months from January 2009 to Scotland's 43 publicly-funded colleges to allow them to respond quickly and flexibly to local redundancies and provide support to PACE. Already colleges have used the funding to provide support in local areas.

Angus College has established a 'Rapid Response Team' to assist local companies and individuals affected by redundancy. The dedicated team is proactively contacting local businesses to establish whether there is any scope to up-skill, retrain or diversify into other areas and ensure they remain competitive. The team is also advising and assisting individuals to identify employment opportunities, either through refining current skills or complete retraining.

Aberdeen College is heavily involved with PACE partners to assist those made redundant by the Inverurie Papermill. The college has created two new courses aimed at developing the employment skills of those who have lost their jobs or who may be facing uncertainty in relation to future employment. The 10-week courses both begin in June and will be delivered at Inverurie Fire Station by Aberdeen College lecturing staff.

Investing in innovation and the industries of the future

The *Government Economic Strategy* highlights the key contribution of innovation to delivering the Purpose: innovation drives improvements in productivity and, through creating new products, processes and services, creates new jobs and encourages greater economic participation, two of the crucial components of increased economic growth. It also recognises the critical role of a supportive business environment as one of the drivers of growth.

Research and innovation are just as important during a period of economic downturn. Evidence from previous recessions suggests that R&D spending during a recession is often one of the first areas to be cut by the private sector. However, when financial pressures are greater and margins tighter, successful businesses are the ones that find smarter, more efficient and effective ways to improve productivity, expand market share and increase profits. Surviving an economic downturn and placing ourselves in the best possible position to benefit from the upturn will not be achieved by simply doing more of the same. Innovation is about seeing and seizing new opportunities.

The long-term innovation challenge facing Scotland was set out in the *Government Economic Strategy*: we have clear strengths and competitive advantages in many areas of research, particularly in our universities and colleges; but relatively low levels of demand for innovation, especially among our home-grown businesses. The need to act in this area has been reinforced by *New Horizons*,⁹ the report of the Joint Future Thinking Taskforce on Universities in November 2008, which identified a shared responsibility for universities and the business sector to improve knowledge transfer and innovation. We are determined to bring about a step-change in the aspirations and culture of business towards research and innovation. The Government and its agencies will work in partnership with businesses to enable them to become more demanding and intelligent customers of innovation support, embracing all the different forms of innovation beyond just the science and technology-based. Such an approach will be crucial to long-run business survival and our ability to take full advantage of the economic recovery when it comes.

In the context of responding to the downturn, businesses have been supported at each stage through an integrated business innovation service provided by the enterprise agencies. This has included the following key elements.

- **We are promoting the opportunities for, and value of, innovation to business.** Through the 'Now's The Time To Ask' campaign of Scottish Enterprise, over 750 delegates have attended 'Winning Through Innovation' events to help more Scottish businesses investigate the benefits of an increased demand for, and use of, innovation. This has resulted in an increasing use of the innovation services of the enterprise agencies.
- **We are increasing the incentives for businesses to use and pursue innovation.** Funding is already available through the extensive range of support for businesses pursuing research and innovation. For example, in the last year Scottish Enterprise's R&D grant programme has levered over £100 million of private sector investment into research projects. Highlands and Islands Enterprise, through its partnership with MIT, is helping businesses to identify and implement innovative opportunities. In addition, in December, we launched the £10 million Saltire Prize, the largest innovation prize for marine renewables in the world, while the Scottish Funding Council has introduced an innovation voucher scheme to meet the costs of research collaboration between higher education institutions and Scottish SMEs.
- **We are supporting research and innovation collaboration.** Support for collaboration between businesses and key suppliers of R&D and innovation is key. One example is Interface, a national programme supported by the Scottish Funding Council which match-makes businesses with research resources in Scotland's universities and research centres. Another good example of collaboration in action in the public sector is the ICT Forum.

⁹ www.scotland.gov.uk/Topics/Education/UniversitiesColleges/16640/hetaskforce/JFFTnewhorizons.

Investing in innovation through the ICT Forum

The Scottish Government has worked with public sector agencies and private sector companies to create the ICT Forum which looks at how Scotland can use ICT more innovatively to improve productivity and help increase economic growth. The Forum brings together the Scottish Government, Scottish Enterprise, the Scottish Funding Council, Highlands and Islands Enterprise, Strathclyde University and private sector organisations such as BT, Oracle, Sun Microsystems, Cisco, Microsoft, Thus and ScotlandIS to collaborate on four main areas of work.

- **Creating culture change.** The Forum's aim is to raise awareness of the importance of skilful exploitation of ICT to Scotland's economic success which will be achieved by a number of actions, including: creation of a library of exemplar material demonstrating how growth can be achieved from skilled exploitation of ICT; promotion of the economic benefits of skilled exploitation to individuals, senior managers and finance directors through the press, business seminars and exemplar events; and development of a flexible working campaign and a collaboration project to raise visibility of ICT and the benefits it can bring.
- **Educating for skilled exploitation.** The Forum has developed a strategic relationship with e-skills UK, the Sector Skills Council, and Learning and Teaching Scotland which has resulted in: progressing a Business IT Guide and video; looking at curricular material for 11-14 year olds; and drawing up a strategic approach over time to join together the numerous initiatives that exist in this area. At the business level, the Forum will develop and promote to companies the skills required to use ICT more effectively to improve their productivity and compete globally. Particular emphasis will be on the key sectors identified in the *Government Economic Strategy*.
- **Vibrant competitive supply side.** Scottish Enterprise has already established an ICT Industry Advisory Group (IAG), working with industry and key stakeholders to create a strategy for the industry. The Forum will work with the industry and others to progress this and will discuss its own proposals with the IAG to ensure strategic fit going forward.
- **Benchmarking.** The Scottish Government has completed a macro study of Scotland comparing its performance internationally. This will provide the foundations for the specific actions to be undertaken by the Forum, as well as identifying where further work can be useful, including on SME benchmarking.

Research and innovation are critical to the emerging industries which will drive future Scottish economic growth. As recognised in the *Government Economic Strategy*, some industries have the capacity to provide major contributions to strengthening Scotland's international comparative advantage and improving its productivity performance. This is not about government picking winners, but creating the environment that will accelerate growth sectors and firms wherever they are in the economy. Irrespective of the recession, it is essential that the investment and support needed to drive their competitiveness is provided now.

For example, in tourism, VisitScotland, the enterprise agencies and the industry are working together on a national tourism investment plan designed to maximise tourism's employment-generating potential through greater alignment with the Scottish Government's plans for developing transport infrastructure. Another good example of the Scottish Government's concerted action to support key industries is renewable energy.

Investing in the renewable energy industry

Energy is one of the key sectors where action is being taken now by the Scottish Government through the downturn. Since May 2007, the Scottish Government has approved 22 renewable energy developments, and major investment projects are underway throughout Scotland, bringing jobs to communities and supply-chain opportunities for Scottish companies. For example, Europe's largest operating onshore windfarm, at Whitelee south of Glasgow, was opened by the First Minister on 20 May. During its initial construction Whitelee employed over 500 people and brought investment of £300 million to the Scottish economy. Its planned extension will create 300 jobs.

There are longer-term opportunities for Scotland to cement its position as the UK's renewable energy powerhouse. Our Renewables Action Plan, to be published this summer, will chart the course and actions needed to meet our 2020 renewables targets and maximise the economic benefit for the whole of Scotland. There have already been over 100 expressions of interest in the Saltire Prize, our worldwide innovation prize designed to accelerate the commercial deployment of wave and tidal energy.

It is not only in renewable energy that Scotland is leading the way. A major study by the Scottish Centre for Carbon Storage, the Scottish Government and a consortium of some 18 industry bodies has shown that Scottish coastal waters contain some of the best storage sites for carbon in Europe. In launching the report on 1 May, the First Minister stressed that Scotland has the ability to develop a strong industry in carbon transport and storage and create a worldwide export industry based in Scotland. Estimates suggest that this industry could employ some 10,000 people by 2020.

We are taking action to support specific industries as well as to create the opportunities for all potential growth businesses to thrive. In recent months, these include the following measures.

- **We are working with business to increase the competitiveness of our key sectors.** We are setting up Industry Advisory Boards with representatives of the private sector for all the key sectors and action plans are being developed to support their competitiveness. This will be aided by the industry-led Technology Advisory Group, which has been established to produce a clear strategy for the development of the enabling technologies that underpin Scotland's key sectors.
- **We are maximising the opportunities and impact of Homecoming 2009 so that it can provide an important stimulus to our tourism industry.** Over 300 events are taking place across Scotland as part of Homecoming and we are aiming to generate an additional £44 million in revenue, bring 100,000 additional visitors to Scotland and support over 1,000 jobs, all of which will help the long-term growth of the Scottish tourism industry.

- **We are addressing the problems faced by growing businesses in getting access to finance.** Many practical steps have been taken to address this including our enterprise agencies helping many businesses prepare themselves to seek funding by increasing and improving their 'Investor Ready' programmes. Another key measure taken recently by the Scottish Government was the announcement of a Scottish Investment Bank.

Investing in business growth through a Scottish Investment Bank

On 21 April, the First Minister announced that the Scottish Government will work towards the establishment of a Scottish Investment Bank in support of business growth. The Bank will initially comprise of support offered through Scottish Enterprise's existing interventions aimed at innovative, high-growth potential businesses: the Scottish Venture Fund; Scottish Co-investment Fund; and Scottish Seed Fund. In total, this currently amounts to a combined spending power of £150 million.

The Scottish Investment Bank will be developed to enhance the range of financial support available to growth businesses. The Scottish Government is working with Scottish Enterprise and Highlands and Islands Enterprise to identify what other resources might be available to the Scottish Investment Bank, including the potential to secure significant additional funds from the European Investment Bank through the use of JEREMIE, a European initiative to facilitate access to finance for SMEs. Discussions are also ongoing with our social partners, including the STUC and Local Authorities, as these proposals develop.

Our support for business in the downturn has been active for some time and is already bringing real and immediate benefits to companies across Scotland. A good example of how such action can make a difference is Scottish Enterprise's 'Now's The Time To Ask' campaign.

Making a difference with 'Now's The Time To Ask'

From January to April 2009, Scottish Enterprise conducted a successful integrated marketing campaign – 'Now's The Time To Ask'. The objective of the campaign was to help Scottish businesses, particularly new growth companies, find the support they need during these challenging times. Via a series of communications, notably the website, www.nowsthetimetask.co.uk, companies were invited to come forward with their questions, find out about how Scottish Enterprise and other public sector organisations could help them adjust to the downturn, create greater efficiencies and innovate and adapt to achieve long-term growth.

As a result of the campaign, 1,390 businesses were helped by receiving answers to questions that were important to them. In addition, more than 2,500 people booked to attend a range of events dealing with issues of interest in the economic downturn. The themes of these events included innovation, tackling financial issues, sales and marketing, leadership, business efficiency and inspiring action for the future.

These events have already been making a difference, including: nearly 100 delegates learning about new business opportunities through 'Compete for 2012 Olympic Games'; follow-up support in areas such as Sustainable Development; participation in the Scottish Manufacturing Advisory Service and Mentoring scheme; 15 delegates following up with the Environmental Management Initiative; 15 delegates looking for 'Graduates for Business'; and seven delegates looking for support on Lean Management Thinking.

Similarly, Highlands and Islands Enterprise has been running a series of Virtual Conferences dealing with challenges relating to the recession. These have been accessible via the internet by businesses throughout the Highlands and Islands. Each of the three events to date have been attended by up to 300 businesses and downloaded by thousands more.

Annex: the key actions taken in the Economic Recovery Programme

The following list sets out the key current measures in the Economic Recovery Programme and progress in their delivery. The list reflects measures that have been announced as a specific response to the downturn as well as decisions already in place for activity that will be critical to Scotland's recovery. As a whole, the list presents a co-ordinated range of measures being taken by the Scottish Government, in co-operation with local government, agencies and other partners, to addressing all aspects of recovery. It is by no means an exhaustive list of all that is taking place, but highlights the most important recent actions.

As it is an evolving programme, new actions will be included over time as existing measures are completed. At the same time, we are aiming to review the impact of these measures once they have been implemented and consider future measures in light of the impact evidence.

Supporting jobs and our communities

- We are using our capital spending programmes to provide a short-term stimulus to jobs and growth. The Budget for 2009-10 accelerates **£293 million of capital spending into 2009-10**, on top of £53 million in 2008-09. In total, this accelerated investment will support nearly 6,350 jobs in the Scottish economy over the next year.
 - Local Authorities are investing £90 million to accelerate **a range of capital spending programmes** spread across Scotland. These include new and refurbished schools, social work facilities, new recreational facilities and a range of key infrastructure projects necessary to support the economy and community development.
 - We are investing £29 million to deliver **road improvements and enhanced park-and-ride facilities** to cut congestion.
- We are continuing to take a comprehensive series of **housing measures** to support the house-building industry and help home-owners and first-time buyers.
 - We are boosting the supply of **affordable housing** by bringing forward £120 million of our planned spending from 2010-11 for the Affordable Housing Investment Programme, in conjunction with local government, to help support the house-building industry. A record £644 million will be invested in affordable housing over the next 12 months and a record-breaking 8,100 homes are set to be approved this year.
 - In association with local government, we are investing £50 million to help kick-start a **new generation of council house-building**, which is expected to support 3,000 jobs. This is the first central government funding to encourage Local Authorities to build new housing in 30 years. Almost £17 million has already been allocated to 14 councils which will deliver over 970 homes.

- Following the UK Budget we are allocating **an extra £31 million in budget consequentials** in 2009-10 to boost affordable housing supply, which will include: new funds to accelerate and sustain investment in new housing developments for affordable rent across the country; and funding to kick-start and unblock private developments in return for mid-market rent properties and low-cost homeownership.
- We are working with the Scottish Federation of Housing Associations to **increase the resources available to Registered Social Landlords** who purchase housing stock from Scottish Homes. We will allow them to invest Right-to-Buy receipts into accelerated spending programmes to meet the Scottish Housing Quality Standard, build new housing, support tenants and undertake other activities to boost local economic activity.
- We established a **Repossessions Group** to advise Ministers on whether further strengthening of the legislative protection for home-owners at risk of repossession is required, and on any other non-legislative steps the Scottish Government and others might take. The Group has now reported and welcome agreed to take forward all of the Group's recommendations, including legislative change, as soon as possible. These latest steps proposals build on action already taken to improve access to legal aid and other forms of advice, and raise awareness of the support available through the National Debtline.
- We are providing £35 million to the **Home Owners Support Fund** over 2008-10 to assist home-owners in financial difficulty. On 16 March, we introduced two new schemes – a revised Mortgage-to-Rent scheme and the new Mortgage-to-Shared-Equity scheme. We aim to help around 600 households over 2008-10 through the Fund.
- On 31 March, we expanded the **open-market shared equity scheme for first-time buyers** nationwide. With an increased budget of £60 million for 2009-10 we are looking to assist around 1,500 first-time buyers into home ownership and support local housing markets by helping many families who are currently struggling to sell their homes.
- We are helping to maintain our communities as supportive environments for economic recovery by creating a £60 million **Town Centre Regeneration Fund**. The Fund will support local agencies to regenerate and grow their town centres. It was opened to applications on 30 April, with the deadline for the first round of applications on 5 June. First offers of grant are expected around the end of July.
- We are intensifying our **support for rural businesses and communities** during the downturn.
 - We are accelerating funding for key economic development projects in coastal and rural areas through the **European Fisheries Fund** and the **Scotland Rural Development Programme (SRDP)**. In the former, we have now allocated £14 million to support Scottish fisheries and aquaculture, including £5.3 million for the development of Peterhead Harbour. In the first year of the SRDP, the Rural Priorities element has approved over 1,800 projects and allocated over £124 million of funding. A further £10 million will be available for capital investment through the August 2009 funding round to aid economic recovery.

- We have made sure that **agricultural support to crofters and farmers** was paid as soon as permissible by law and we are influencing EU regulations to meet the needs of fishing and farming.
- Through the **Scottish Timber Transport Scheme**, we are investing £12 million to support projects to lessen the impact of timber traffic on communities and rural roads and secure supplies to the timber-processing sector.
- We are bringing forward spending on our 2007-13 **European Structural Funds Programmes**. To date, we have announced almost £335 million of support for 472 projects nationwide. As part of this, £14.4 million has been allocated from the European Social Fund (ESF) in the Highlands and Islands and £112.6 million in Lowlands and Uplands Scotland. As part of this Structural Funds are providing some £55 million for Community Planning Partnerships to support employability projects across Scotland.
- We are working to improve the provision, and reduce the cost of, infrastructure developments. Through the **Scottish Futures Trust**, we are fast-tracking the Hub Initiative, which will deliver improved local community-based infrastructure for the delivery of local health services across Scotland, as well as supporting Local Authorities' school investment programmes. We are providing £2.8 million to take forward the Hub Initiative in a range of 'pathfinder' areas of the country.
- We are intensifying our **reforms to the planning system**. An effective, modernised planning system will bring real benefits to Scotland's people, its businesses and the environment.
 - Eight sets of **secondary legislation** completed their Parliamentary passage in February, and the regulatory package will come into force in phases up to August 2009.
 - A new consolidated **Scottish Planning Policy** was issued for consultation on 1 April 2009 and will be finalised by the end of this year.
 - A **new notification direction**, empowering councils to determine planning applications and minimise delays in the planning system, came into effect on 1 April 2009.
 - Ministers are also extending **permitted development** rights for householder developments to free up time for professional planners to concentrate on more significant and complex developments.
 - We are working with stakeholders to improve **planning decision performance** to assist economic recovery, including how fees and resources for planning can be utilised in support.
 - We have put in place an **e-Planning** initiative to allow for faster, more effective online submission of planning proposals, which will save planning authorities and users over £60 million over the next 10 years.

The work is already generating tangible results: for example, by the end of this April, we were processing 86% of all written submission planning appeals within 12 weeks – compared with just 4% in April 2008.

- We are using the **Government's own purchasing and payment arrangements** to help businesses wherever possible.
 - We are opening up opportunities for more small and medium-sized Scottish businesses to win government contracts through a new online contracts portal, **Public Contracts Scotland**.¹⁰ Over 21,000 suppliers have already registered.
 - We are committed to **paying the Scottish Government's business suppliers** within 10 working days and are urging the rest of the public sector in Scotland to do likewise. Already 93% of transactions are paid within 10 working days.
 - We are taking forward national contracts for the **bulk purchasing of electricity** across the public sector which are expected to result in annual savings of up to £10 million from October 2009.
- Key public sector bodies are **reducing costs to businesses** to help them in the downturn. For example:
 - **Scottish Water** has announced that it will help house-builders by delaying the point at which connection charges are payable at sites across the country. At present, developers pay their connection charges at the early stages of their site development and long before any houses are sold. However, from 1 July 2009, developers will not be asked for payment until they require their first connection.
 - Since November 2008, over 3,300 businesses have benefited from application fees waivers by the **Scottish Environment Protection Agency**, with total savings to businesses of £1.24 million.
 - **VisitScotland** has frozen prices on core products such as Quality Assurance products and a range of marketing services for businesses.
- Through the **Public Services Reform Bill**, we are identifying across the Scottish public sector the scope for removing regulatory burdens on business and will act to take forward simplification once the legislation has been passed.
- We are reducing the cost burden on businesses: the **Small Business Bonus Scheme** has been expanded by increasing the level of relief available by 25% from April 2009. This will help the owners of more than 64,000 business properties and save the average small business around £1,400. We are also allowing businesses to spread 60% of this year's annual increase over three years.
- We are reducing the tax burden on individuals: we have made available a further £70 million to allow Local Authorities to **freeze the council tax** again in 2009-10 and all councils have now agreed to the freeze. This will mean Scottish families sharing in a £420 million tax saving over three years.
- To ensure that recovery supports a low-carbon Scottish economy and more energy-efficient communities, we are taking a **range of measures in support of energy efficiency** for households and businesses. For example:

10 www.publiccontractscotland.gov.uk.

- We increased spending on the **Central Heating Programme** by £10 million in 2008-09, which resulted in the highest ever number of systems being installed in private homes by the Programme (14,430). In April, the Central Heating and Warm Deal programmes were replaced by a new holistic **Energy Assistance Package**. The package is a one-stop shop offering advice on energy tariffs, welfare benefits, tax credits and energy efficiency, and grants to improve energy efficiency.
- We have announced proposals for an ambitious **area-based home insulation scheme**, supported by £15 million of new Government funding plus £15 million from other sources. The first stage of the scheme has the potential to offer energy advice and assistance to some 90,000 homes and support nearly 900 jobs in the process. On 1 May we invited Local Authorities to put forward proposals for areas which might participate, either in 2009-10 or 2010-11. Marketing will begin in summer 2009-10 with measures being installed in the selected areas from the autumn.
- We have invested £2 million in our **small business loans scheme** to help more small businesses with interest-free loans to cut fuel bills. From December 2008, private landlords and agriculture and transport businesses have been able to get interest-free loans from £1,000 to £100,000 for energy efficiency measures or installation of small-scale renewables.
- We are taking action to leverage increased spend in Scotland on domestic energy efficiency improvements through the **Carbon Emissions Reduction Target initiative**.
- In Autumn 2008, we launched our **GoGreener campaign**. The first phase of the campaign focused on energy efficiency actions designed to save households £340 every year. The second phase on food waste, launched in February, highlights the actions Scots can take to reduce food waste and make household budgets go further.
- We are investing £3.5 million in the **Scottish Biomass Heat Scheme** to support SMEs in reducing their operating costs through the use of renewable heat.
- We are focused on supporting the most vulnerable individuals through the downturn. Through ***Achieving Our Potential***, our anti-poverty framework, we are investing £7.5 million over the next two years in a range of measures, including help for individuals to maximise their income.
- We are strengthening the **legal and advisory services to individuals** facing financial and other difficulties in the downturn.
 - We are providing an extra £3 million which the **Scottish Legal Aid Board** is using to: provide grants to improve access to legal advice and representation on matters related to the economic downturn; and recruit additional solicitors to provide such services in areas where there is inadequate provision.
 - We are providing **Citizens Advice Scotland** with an additional £1.1 million to increase the availability of face-to-face advice on debt, welfare rights and housing and employment issues through their network of Citizens Advice Bureaux. It will provide an average of six extra hours of access each week. An additional 22,000 new clients should be advised.

- We are working closely with a wide range of stakeholders through the **Debt Action Forum** to look at ways of helping people in Scotland who find themselves struggling with debt. The Forum plans to report in June.
- We are acting to **minimise economic disadvantage and discrimination in our communities**. For example:
 - We are investing £12 million of Proceeds of Crime investment through our **Cashback for Communities scheme**, giving young people positive alternatives to economic inactivity through support for community action.
 - We are investing £23 million over three years to address the needs of **communities facing discrimination and disadvantage**, helping to create greater community cohesion and improve participation in social and economic life.

Strengthening education and skills

- We have introduced a new strategic framework – **ScotAction** – to support individuals and businesses to secure the skills needed to weather the economic downturn and grow as the economic climate improves.
- We have extended and intensified our **support for those in work**.
 - We have invested a further £16 million in our **Modern Apprenticeship programme** to fund an additional 7,800 places in 2009-10. Of these, 1,000 have been allocated to Glasgow City.
 - Through *ScotAction* we have introduced a comprehensive scheme to **encourage employers to take on redundant apprentices** and enable them to complete their training. From July, employers will be able to access up to £2,000 for each redundant apprentice they recruit.
 - The Scottish Government will support Scottish and Southern Energy in a **Home Energy Apprenticeship Pilot Programme** to develop an all-age apprenticeship for Energy Advisers that will develop the skills of individuals that will allow them to engage confidently with the people of Scotland on the issue of reducing emissions.
 - We are funding the development and introduction of **new Modern Apprenticeship Frameworks to support key sectors**, for example, through 50 Creative apprenticeships and a new Life Science apprenticeship.
- We have strengthened our **PACE** initiative to ensure the delivery of a high level of responsiveness to businesses and individuals facing redundancy.
 - We launched a **national dedicated helpline, revamped website and improved information resources** in February to make PACE services more accessible to individuals and employers. We ran a media campaign across Scotland to raise awareness of PACE amongst small employers and individuals.
 - A £1.4 million project – including European Social Fund support – will help an additional 4,600 individuals through a variety of support including **individual career planning interviews, individual employability and career planning group sessions**.

- We held a **PACE Summit** on 9 February 2009 to share best practice and consider how the service can be further improved.
- We are establishing a high-level national strategic **PACE Partnership** to continue to make the service more flexible and effective as more people and companies suffer the impact of the recession.
- The **Scottish Funding Council** is providing an additional £7 million to Scotland's 43 publicly-funded colleges to allow them to respond quickly and flexibly to local redundancies and provide support to PACE.
- We have **strengthened support for individuals to work**.
 - We have launched pilots in 25 sites – in Jobcentres and careers offices – to test the delivery of an **integrated employment and skills service** between Jobcentre Plus and Skills Development Scotland. This will enable those who have recently become unemployed to access a skills check alongside careers advice with onward referral to skills training where appropriate. Since the pilot was launched in February, over 1,000 people have been referred by Jobcentre Plus to Skills Development Scotland services.
 - We are adapting the eligibility rules of our **national training programmes** and refining financial support for learners to ensure that people affected by the economic downturn are able to develop their skills.
 - We changed the eligibility rules of our **Training for Work** vocational training programme to enable people to access it as soon as they have notice of redundancy. In April this year, we made further changes to enable unemployed individuals to access it after three months of unemployment (rather than six months, as it had been previously).
- We have improved the **financial support for individuals to learn** in all circumstances.
 - From July 2009, an additional 250,000 people will be eligible to access funding through **Individual Learning Accounts** as we have increased the income assessment threshold eligibility from £18,000 to £22,000 and extended the range of training providers and courses for which people can use Individual Learning Accounts funding.
 - From September, we are piloting the **extension of financial support to post-graduate students** studying part-time by providing between £500 and £1,700 a year to help with fees. Scotland is the only country in the UK to provide substantial funding for taught post-graduate study and extending this to part-time provision will help deliver more high level skills to our workforce.
 - We have increased support to individuals to undertake vocational learning by promoting the increased funding available through **Career Development Loans**.

- The Scottish Funding Council has realigned university funding into a **General Fund** and a **Horizon Fund**. The new Horizon Fund will provide new opportunities and incentives for universities on the key areas of: employability and skills intervention; access and progression; world-class research; knowledge transfer and innovation; differentiation, diversity and specialism; sector wide capacity; and collaboration. The Network of Excellence in Creative Media Education is an early example of the projects which will be supported: £5.8 million is being invested through the Fund in targeted post-graduate training, industry-standard facilities and co-ordination of the Screen and Media Academies in Scotland.
- The Scottish Funding Council is reviewing its approach to **college and university funding for teaching** to ensure an appropriate emphasis on: the sectors which will grow as the economic recovery begins; and groups who are potentially most affected by the economic downturn. It is also considering whether there needs to be any revision to the geographical distribution of learning provision in light of the current economic situation. It is further encouraging colleges to give priority to the rising number of applications for places at college from young people leaving school or who have recently left school.
- Through **16+ Learning Choices**, we are guaranteeing an offer of a place in learning to every young person in Scotland who wants it by December 2010. We will support every young person as they reach their compulsory school-leaving age – 60,000 young people each year. In support of this, we recently announced that we will be investing £16 million over the next two years in developing pilots of Activity Agreements – a better way of recognising and supporting young people’s learning in a community or third sector setting. In addition, a further £19.7 million is being invested in the college sector in 2009-10 to help colleges deliver on the Scottish Government’s commitment to provide continuing learning opportunities to young people.
- Our **Early Years Framework** recognises the vital role that high-quality childcare plays both in supporting parents and improving outcomes for children. We are promoting the uptake of childcare vouchers with employers and employees. The Scottish Government is continuing to promote the benefits of a single, accessible and progressive means of supporting parents with the cost of childcare.
- We are **investing directly in the capacity and capability of the third sector** to deliver effective services to vulnerable individuals, and create employment and employability opportunities across Scotland within sustainable business models.
 - We are supporting the long-term development of the sector through **a range of new funds** which opened earlier this year: the Scottish Investment Fund (£30 million); the Third Sector Enterprise Fund (£12 million); and the Social Entrepreneurs Fund (£1 million).
 - As a matter of urgency we are developing, in partnership with the third sector, proposals to mitigate the impacts of increased demand for services and cash flow difficulties arising from the recession. This will include design of a **Resilience Fund** for third sector organisations providing frontline services that have been affected by the recession.

Investing in innovation and the industries of the future

- We are investing in major infrastructure projects to support the growth of our key sectors. As part of the 2009-10 Budget, Scottish Enterprise is accelerating £30 million of **investment in key projects** that will deliver wider benefits to the Scottish economy including the Edinburgh Bio-Quarter, the SECC in Glasgow and Fife Energy Park.
- We are working to improve the availability of, and access to, **investment funding for businesses**.
 - We are working to establish a **Scottish Investment Bank**, initially through bringing together Scottish Enterprise's existing investment funds, creating a combined spending power of £150 million.
 - In 2009-10, Scottish Enterprise has responded to continued strong demand by early-stage technology companies for **risk capital investment**. In total, £25.5 million has been allocated across the three funds (Scottish Seed Fund, Scottish Co-investment Fund and Scottish Venture Fund) to help these companies to progress through start up, growth and expansion.
 - Scottish Enterprise has increased and improved the assistance available to help companies become '**Investor Ready**'. Over the past seven months, demand has shown a significant increase with 43 companies completing the programme and 156 in the pipeline. Similarly, through its Funder Readiness Programme, Highlands and Islands Enterprise provides support to growth businesses seeking to prepare a funding proposal, such as assistance with the cost of engaging professionals to prepare and present information.
- Across the public sector, we are providing an **integrated and more tailored range of advisory services to businesses** to help them cope with the downturn.
 - We have launched a central online resource for businesses and households – '**Help through the Downturn**' – to direct individuals to the right source of advice and support quickly.¹¹
 - Scottish Enterprise is working with over 10,000 companies to help them compete in the current climate, grow and safeguard jobs. A key element of its activity has been the '**Now's The Time To Ask**' campaign. Following a major media campaign – generating over 4,100 direct enquiries – there have been over 1,500 attendees at events held all over Scotland, on issues relating to innovation, finance, business efficiency, management and leadership, and finance.
 - Scottish Enterprise completed '**Downturn Reviews**' with its portfolio of 2,000 account-managed companies and follow-up action plans are now under way. This has led to increased demand for support across all areas, especially in key areas such as strategy development, investment readiness, internationalisation and innovation support.
 - Highlands and Islands Enterprise has introduced **account management for high-growth businesses in the Highlands and Islands**, working intensively with over 100 businesses to date and over the coming year, expanding that number to approximately 250.

¹¹ www.scotland.gov.uk/helpthroughthedownturn.

- The first phase of **Highlands and Islands Enterprise’s economic recovery plan** saw over 360 businesses calling its advice line, with 148 being referred for further one-to-one advice. It has also run 14 business clinics throughout the Highlands and Islands.
- Highlands and Islands Enterprise has run the first three in a series of four ‘virtual’ **business masterclasses**, with hundreds of online participants from Scotland and further afield. These masterclasses focus on issues identified by the business community as being of particular relevance to them in the current economic climate.
- In addition to the tailored business advice, we are ensuring that there is an extensive range of **innovation advice services** available to businesses across the country.
 - Following on from their ‘Now’s The Time To Ask’ campaign, Scottish Enterprise has organised a series of ‘**Winning Through Innovation**’ events, seven of which have already been held across Scotland with over 750 delegates attending. This is now being followed up by a series of new Product Development Workshops and Innovation Masterclasses. In addition, a new innovation service for companies is being tested through innovation surgeries with specialist innovation advisors.
 - Highlands and Islands Enterprise is developing the **innovation system throughout the Highlands and Islands** by using its partnership with MIT to raise awareness of innovation, helping businesses identify innovative opportunities and providing advice on how to implement them.
 - Scottish Enterprise is investing an additional £3 million over three years in the **Scottish Manufacturing Advisory Service** to support a doubling of the number of company reviews carried out. As part of this, 11 new advisers are joining the Service.
 - The Scottish Funding Council has launched an **innovation scheme** which offers higher education institutions up to £5,000 in the form of a voucher to meet up to 50% of the costs of new collaborations with Scottish SMEs. The focus of the scheme is across all sectors and university disciplines and will help SMEs draw upon the world-class research and expertise within Scotland’s universities.
- In February, we launched **BusinessClub Scotland**, a new initiative designed to ensure Scottish businesses get maximum benefit from major events being held in Scotland.
- **Scottish Development International (SDI)** has increased and improved the services it now offers. SDI has been ‘up-skilling’ the Scottish company base to achieve more revenue from international markets – especially in future growth industries. Significant improvements have been made to the ways in which SDI can help Scottish businesses earn from overseas markets and more resources have been invested to increase the range of SDI products and services available to companies across Scotland. For example:
 - The ‘**Sell Now Pay Later**’ support available at the end of 2008-09 has enabled companies to attend overseas exhibitions while deferring payment of exhibition costs by up to six months.

- Use of **International Mentoring** is increasing through an increasing uptake of 'Export Manager for Hire', 'Graduates for Business' and access to the network of Globalscots. As part of this, the GlobalScot International Conference in November 2009 will bring together 200 senior international business people to meet and network with over 200 representatives from Scotland's business community.
- We are investing in the future growth of our energy sector. In February, we announced a series of **Energy Pledges** to create new jobs, tackle climate change and save households and businesses money. Estimates suggest up to 16,000 jobs in energy-related opportunities in Scotland could be created over the next decade. We have now published a detailed action plan setting out the range of actions being taken – and to be taken – across energy generation, energy efficiency and transport. The Pledges are:
 - we will support and accelerate the implementation of renewable energy, through our Renewables Action Plan, in a way which promotes large-scale, community-based, decentralised and sustainable generation;
 - we will aim to build a commercially-viable, diverse renewable heat industry in Scotland to deliver benefits to the wider public, through the implementation of our Renewable Heat Action Plan;
 - we will harness the renewable energy potential of Scotland's seas to support the emergence of new thriving marine renewable and offshore wind industries within Scotland;
 - we will use the Saltire Prize, the world's largest innovation prize for marine renewables, to accelerate the development of marine renewable technologies and promote Scotland as the world leader in marine renewable energy;
 - we will work with the oil and gas sector to maintain its competitiveness, facilitate the transfer of skills and knowledge to other sectors and utilise Scottish-based skills in world markets;
 - we will enhance our capability to undertake energy and environmental foresight, and develop our preparedness to anticipate threats and take advantage of opportunities;
 - we will support the development of sub-sea grids, alongside improvements in the onshore grids, and press the UK Government for fairer charging structures;
 - we will support development and implementation of clean fossil technologies in Scotland, through collaboration with academia, industry and other interested parties;
 - we will implement measures to improve Scotland's energy use through the Energy Efficiency Action Plan, which is a key part of the Scottish Government's Climate Change Bill;
 - we will develop and deliver more sustainable transport to improve efficiency and reduce transport emissions in the longer term;
 - we will promote the development, uptake and use of electric and other low carbon vehicles, in addition to using improvements in vehicle engineering which are already available; and

- we will work to develop international partnerships through the Saltire Prize and the Scottish European Green Energy Centre to make Scotland a leader in the development and deployment of green energy.
- We are working to improve the competitiveness of our financial services sector. A **Finance Sector Jobs Taskforce** has been established to co-ordinate efforts across Scotland to ensure employment is retained within the financial services industry.
- We are working with **Scotland Food and Drink** and other agencies to provide enhanced support to help businesses in the food and drink sector exploit export opportunities. For example, Scottish Enterprise is planning to invest approximately £4 million to support the Scottish Food and Health Innovation Centre, which will support companies introducing products into the health food market. In February 2009, a substantial package of support to help Scotland's food and drink industry increase its international profile was set out.
- We are supporting long-term growth in our marine and aquaculture sectors. We have introduced the **Marine Bill** with proposals for better management and streamlined decision making for marine resources. This will strengthen local involvement in marine issues and give developers greater clarity to support investment. In addition, on 21 May, we launched a renewed **Strategic Framework for Scottish Aquaculture** to support the continued development of Scottish aquaculture.
- We are working with key partners on the competitiveness of our life and health sciences industry. In June 2009, the **Scottish Health Sciences Collaboration** is being launched, involving the participation of four medical universities, cognate teaching Health Boards and Scottish Enterprise. This will facilitate cost-effective R&D and clinical development of products.
- We are focusing **Creative Scotland's £5 million Innovation Fund** on measures to support artists and creators through the economic downturn and reinforce the contribution that they can make to recovery. Creative Scotland is also working with Scottish Enterprise, Highlands and Islands Enterprise and Local Authorities to offer co-ordinated advice to those who want to start or develop businesses in any of the creative or artistic fields.
- We have launched **Homecoming 2009** as a major stimulus to the tourism industry. Over 300 events are taking place across Scotland this year from Burns Night to St. Andrew's Day. We have a target of an eightfold return on core investment generating an anticipated additional £40 million in tourism revenue. Our target of 100,000 additional international visitors is already expected to be exceeded.

- **VisitScotland** is further supporting the tourism industry through a number of key actions.
 - VisitScotland is now structured around its four main customer groups and is better placed than ever to maximise the growth potential of Scottish tourism. It is working with partner agencies on a **national tourist investment plan** to maximise employment and align with the Scottish Government's £2.5 billion investment in transport infrastructure.
 - In 2009, VisitScotland launched a £1 million marketing campaign, **Perfect Day**, which will reach a 36 million audience across the UK and aims to capitalise on the trend to stay at home this year.
 - To support Scotland's tourism businesses in the downturn, VisitScotland has launched an enhanced marketing initiative, the **VisitScotland Growth Fund**. The fund is designed for groups to maximise the value of the marketing of their products and services.
 - **Tourism Intelligence Scotland (TIS)** is a partnership project involving Scottish Enterprise, Highlands and Islands Enterprise, VisitScotland and an industry project leadership group. The TIS resource 'Knowing Our Markets...Scotland's Visitors' will be launched in May 2009 and disseminated to 10,000 businesses.



**The Scottish
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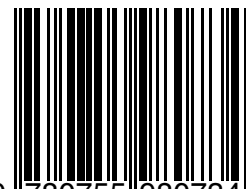
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RR Donnelley B60838 06/09

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Please contact 0131 244 3342 or
EconomicStrategyDirectorate@scotland.gsi.gov.uk

ISBN 978-0-7559-8073-4



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