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Gordon Lindhurst MSP
Economy, Energy and Fair Work Committee
Convener

27 January 2021

Dear Gordon

Thank you for your letter of 13 January 2021 highlighting issues raised by the Committee's inquiry on Covid-19 that are not included in its report. I welcome the Committee's input and value the insight you provide from your engagement with young people and your oral evidence sessions covering both urban and rural areas as well as North East Scotland in particular. I have set out below the Scottish Government's response to the points you raise.

Impact on Young People

The Scottish Government recognises the enormous scale of the challenge young people are facing through no fault of their own. That is why we have taken forward the delivery of a Young Person's Guarantee as our commitment to Scotland's young people.

The Guarantee will look to ensure that every young person in Scotland aged between 16 and 24 has the opportunity to access support to help them into work, based on their own personal circumstances and ambitions, including going to university or college, or pursuing an apprenticeship.

We are committed to ensuring that all young people in all parts of the country can benefit from the delivery of the Guarantee. We have allocated £30 million of our investment in the Guarantee in 2020/21 to local partnerships via local authorities, to ensure delivery of a range of interventions to enhance employability support to young people and to employers. This will include supporting young people to take up opportunities in education, employability, volunteering and training.

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Young people and business

We are supporting young people to develop entrepreneurial mindsets and assisting young entrepreneurs in a variety of ways. For example:

- Scotland's Enterprising Schools is an e-platform to highlight the benefits of entrepreneurial learning in schools and links to resources and providers. It aims to develop enterprising mind-sets in schools, building the capacity of teaching professionals by equipping them with the understanding, skills and access to the resources, information, partners, knowledge and training they need to confidently embed enterprise within the curriculum. In 2020/21 we provided the project with funding of £200,000.
- Bridge 2 Business (B2B) is delivered by Young Enterprise Scotland (YES) and is part of an effort to create a more joined up and impactful tertiary offer in respect of entrepreneurship. College students have the opportunity to engage with appropriate entrepreneurial role models, whether they have an interest in setting up their own business now or in the future or are looking to take enterprise skills to their workplace. In 2020/21 we supported B2B with funding of £210,000.

On 27 January, B2B is launching a new initiative - #FemaleBoss campaign - in partnership with Royal Bank of Scotland. With nearly 100 people already signed up for the first session, this female-focused leadership and enterprise programme will give students aged 18–30 access to workshops in business and leadership, confidence coaching and grant funding to start and, importantly, continue to run a business in Scotland.

- Prince's Trust Scotland has been a key strategic partner. The Enterprise programme offers flexible support and funding to develop the enterprise skills and ambition necessary for young people to establish their own business and thrive in our economy. The budget of £400,000 will provide significant support towards reaching more young people in 2020/21, who will be able to benefit from a package of enterprise support that includes training, access to mentors, loans and grants.

We want all tertiary education students to believe that an entrepreneurial journey is possible and can be beneficial throughout life and work. To this end we are promoting a culture of collaboration between key partners such as Converge Challenge, Bridge 2 Business and the Scottish Institute for Enterprise. The CEO of Young Enterprise Scotland is also leading on a Youth Colab as part of the CAN Do Collective.

Transport links

The National Transport Strategy (published February 2020) sets out our vision for transport in Scotland over the next 20 years: we will have a sustainable, inclusive, safe and accessible transport system, helping deliver a healthier, fairer and more prosperous Scotland for communities, businesses and visitors. The vision is underpinned by four key priorities: reduce inequalities; take climate action; help deliver inclusive economic growth; and improve our health and wellbeing.

The Strategy recognises that the availability and affordability of transport when accessing employment, training and education is one of the key transport challenges for young people. It also recognises that the relatively high cost and low level of frequency of public transport can have a disproportionate impact on young people in rural areas.

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We have undertaken work to understand how the pandemic is impacting transport challenges for young people. This has confirmed that the narrative of the Strategy is still true in light of Covid-19: existing issues will remain but will be exacerbated and will require strengthened government interventions.

The Strategy Delivery Plan was published at the end of last year and focuses on the actions we are taking to achieve our vision and priorities. The Plan builds on existing work streams (such as the commitment to provide free bus travel to under 19s and a review of concessionary fares across all transport modes to those under 26) through establishing a National Transport Strategy Forum, where we will work in collaboration with partners to identify and develop policy actions on transport and young people.

Communication of support available

We recognise that the employability landscape can be complex and that there is a need to meaningfully engage with young people on where to find the right advice and support. The intention behind the Young Person's Guarantee is to provide young people with seamless and joined up support. Our expectation is that whatever organisation a young person speaks to should be able to provide the right support for them. Further information on the Guarantee is available at youngpersonsguarantee.scot.

More widely, we are working with Young Scot to ensure that young people will be at the heart of delivering and shaping the Guarantee. A youth leadership panel has been put in place with a view to supporting the Guarantee at a local and national level.

Organisations such as the Prince's Trust have reported successful social media campaigns engaging young people in enterprise support, and Young Enterprise Scotland (YES) has offered to run a focus group with young people for the Committee to explore improved communication methods.

Opportunities for digital engagement

In November 2020, the Young Person's Guarantee website was launched to ensure that young people and employers can readily access available opportunities, support and advice. The website allows young people to search for courses, apprenticeships, employment and formal volunteering opportunities. Local information can also be accessed, along with wellbeing support and careers advice.

In addition to aligning the Guarantee with existing initiatives and services that can support young people experiencing digital exclusion, we also provided additional funding of £30 million to local partnerships to provide person-centred support to help young people access and sustain learning, skills and employment opportunities. This has included providing young people with digital support so that they can access and participate in these opportunities, particularly during the current restrictions. We are working in partnership with local authorities to align employability support with the Connecting Scotland programme.

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Connecting Scotland was set up in May 2020 in response to the Covid-19 pandemic. It aims to provide a national, person-centred, consistent and comprehensive approach to reducing the rates of digital exclusion and digital marginalisation due to low income. A further £15 million has been allocated for Phase 2 of the Programme. The focus of this funding will be low income families with children and young care leavers, and it will reach up to 23,000 households. Phase 2 Round 1 is providing devices to 12,808 low income households with children and to 3,395 low income young care leavers. Delivery of devices awarded through Phase 2 of the programme began in December 2020.

Through the Developing the Young Workforce Programme, work continues to deliver E-DYW, which has been a key focal point of our Covid response in supporting young people. This will continue to help connect employers, educators and young people through online tools and resources. E-DYW will be a centre point for all digital resource in order to provide virtual support to young people during this difficult time.

Impact on Workers

Skills for future careers

We recognise that Covid-19 has had a fundamental impact on the Scottish economy and labour market, and we are committed to supporting people to retrain and reskill into good, sustainable jobs as the economy begins to grow again, such as in digital and green technologies. In July 2020 we announced an additional £100 million for targeted employment support and training. The National Transition Training Fund will help those aged 25 and over who have lost their jobs or whose jobs are under threat as a result of the virus, to develop the skills required to move into sectors with the greatest potential for future growth and job opportunities.

This training is being managed by Skills Development Scotland, the Scottish Funding Council, Scottish Enterprise and LANTRA, through private training providers and colleges and is being delivered via a mixture of online and face to face training.

The £20 million Flexible Workforce Development Fund has supported UK Apprenticeship Levy-paying employers in Scotland to access workforce development support of up to £15,000 to support improved productivity and economic growth. This year it has been extended to support non-Levy paying SMEs with up to £5,000 as part of our Covid response. We are also investing £3.7 million in Individual Training Accounts to enable up to 18,500 people of all ages who are unemployed or on low incomes to access funding of up to £200 per year to support training.

In the coming months we will work with Skills Development Scotland (SDS) to implement the Climate Emergency Skills Action Plan, which SDS published in December 2020. This sets out clear actions to support our transition to a net zero economy, including the development of a Green Skills Academy.

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Support for zero hours workers

We firmly oppose the inappropriate use of zero hours contracts and other non-standard types of employment that offer workers minimal job or financial security. That is why we have included no inappropriate use of zero hours contracts and payment of the real Living Wage in the criteria for our flagship Fair Work First approach – the key mechanism for driving fair work practices across the labour market. Through the Fair Work First policy we will continue to use the Scottish Government's financial powers to drive fair work practice across the labour market.

However, we recognise that for some workers, zero hours contracts offer the flexibility they want to pursue other aspects of their lives. Banning them entirely would remove that choice.

We have commissioned research in order to better understand young people's experiences of precarious and flexible work, including zero hours contracts. This will be published in early 2021 and will inform how and in what ways we and our partners can support young people who want to change their circumstances.

Impact on Businesses

Impact on town/city centres and decline of the high street

We have been taking active steps to assess and manage the impact of the pandemic on town and city centres. This includes the impact on business, retail, tourism, hospitality, culture, property and the communities who live, work and spend time in our town and city centres. We know that the challenges of recovery will be different for each settlement and for each part of the country and that areas that are dependent on retail, offices, and international visitors will likely take longer to recover.

We understand that this is a difficult time for businesses and the Strategic Framework Business Fund provides support for businesses required to close or modify their operations by law. On 9 December, the Cabinet Secretary for Finance announced a new £185 million package of targeted support for business, of which £104.3 million will be for tourism. This is part of the short term response to the Tourism Recovery Taskforce recommendations and we have also set up a £14 million Hotel Support Programme.

In 2020-21 we have provided £22 million additional town centre-specific financial support, £18 million capital to local authorities as part of the £230 million economic stimulus package, and £4 million to support Business Improvement Districts, towns and smaller settlements to deliver resilience and recovery projects.

In order to prepare to support communities and businesses meet the challenges of town centre renewal, in July we commissioned a review of the 2013 Town Centre Action Plan. Publication is expected in early February and will provide a vision for greener, healthier and more inclusive town centres, as well as advising on the means to deliver them collaboratively with and for communities. The work on the Town Centre Review will feed into our work to develop a Retail Strategy. This strategy will help guide a response to the substantial changes facing the sector, including some accelerated shifts from high street to online shopping prompted by the pandemic.

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Alongside the Town Centre Review, we are overseeing early work aimed at exploring a holistic approach to city centre recovery. Tourism will of course play a key role in this. We are committed to unlocking investment in cities and, since 2014, we have committed £1.9 billion towards City and Regional Growth Deals, which now cover each of Scotland's cities as well as numerous towns. We have also commissioned our Enterprise Agencies and VisitScotland to develop a 5-year tourism investment plan for consideration by Cabinet.

Taking account of all non-domestic rates (NDR) reliefs, we have taken steps to effectively underwrite over £1.6 billion of NDR rates income for local government in 2020-21. The total package of reliefs includes:

- £972 million worth of COVID-19 reliefs introduced to reduce business costs during the pandemic, including 1.6% rates relief for all non-domestic properties and 100% relief for properties in retail, hospitality, leisure and aviation;
- An estimated £713 million in existing support, which includes the UK's most generous Small Business Bonus Scheme relief, Day Nursery relief, Renewables relief, and the unique Business Growth Accelerator.

Delay to business rates review

Delaying revaluation by one year to 2023 and offering a one-year Tone date ensures that values at the next revaluation better reflect the post-Covid economy whilst also providing stability in the recovery period. There were significant risks to public finances and to Scottish businesses linked to proceeding with a 2022 revaluation as this would have required either a 2020 or a 2021 Tone date, which would not have fully reflected the impact of Covid-19 on the property market.

The Scottish Government has been responsive to the sectoral and/or geographical effect of previous revaluations and will continue to be so. At the 2017 revaluation, we put in place Transitional Reliefs for hospitality in Scotland and offices in Aberdeen and Aberdeenshire as these had seen extremely high increases in rateable values. In delaying revaluation however, we had to consider all sectors and geographies. It would not have been responsible to set policy in this regard to suit one particular region or sector without potentially very damaging consequences for other regions and sectors.

Access to finance and the role of banks

The regulation of financial services is reserved to the UK Government. However, we are working closely with the banks through the Banking and Economy Forum and the Financial Services Industry Advisory Board to do all we can to support and expedite economic recovery, taking into consideration appropriate financial interventions such as recapitalisation.

We continue to monitor the operation and take up of support and are engaging with the business community regarding the effectiveness of loan schemes introduced by the UK Government and delivered by the banks, to ensure businesses have access to the financial support they require. Take up of the Coronavirus Business Interruption Loan Scheme (CBILS) and the Bounce Back Loan Scheme has been exceptionally high, with figures published on 18 January showing a proportionate uptake by Scottish companies. Full details are available at: <https://www.british-business-bank.co.uk/coronavirus-loan-schemes-continue-to-support-businesses-evenly-across-the-uk-new-analysis-shows/>.

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The CBILS and Bounce Back schemes are currently scheduled to close on 31 March, and we are urging the UK Government to ensure a replacement scheme is available to Scottish businesses.

In addition to the support to business provided by the UK Government through the banks, since October we have allocated over £715 million in business support, including an additional £225 million announced in December.

Digital Issues

North East businesses unprepared for digital

The Scottish Government offers a range of nationally available support for businesses to help them enhance and improve their digital capabilities.

The DigitalBoost programme, our national business digital engagement programme, which launched in March 2016, is led by Business Gateway. The programme offers a portfolio of digital support to SMEs, including workshops, 1-2-1 advice, digital health checks, online guides and tutorials. Recognising the importance of supporting businesses to use more digital technologies, £3.1 million of additional support has been announced for DigitalBoost for the rest of the 2020/21 financial year.

We committed a further £11.8 million towards digital support in November 2020, of which £10 million was for the DigitalBoost Development Grant fund following a successful pilot in the Summer. Given its huge demand, we are also pleased to confirm we will double the funding available to businesses for this grant. This means businesses who started applications will be able to resume and submit their application.

We also offer the Digital Development Loan (DDL), which launched in 2018 and enables businesses to borrow, interest-free, between £5,000 and £100,000 to improve their digital capabilities and capacity. The DDL can also be used in the development of digital skills for staff members.

Our national and local delivery partners work across Scotland to deliver these interventions and are well-placed to support businesses improve digitally and increase their digital skills, resilience, growth and productivity.

Digital connectivity in rural areas

Although legal and regulatory matters concerning access to digital infrastructure are the responsibility of UK Ministers, the Scottish Government is committed to tackling gaps in broadband coverage in Scotland.

Building on the success of the Digital Scotland Superfast Broadband roll-out, our Reaching 100% programme (R100) will ensure that everyone can access superfast broadband. Our 100% commitment will be delivered through the £600 million R100 contracts, our Scottish Broadband Voucher Scheme and commercial roll-out. This will ensure that every home and business can access fast and reliable digital broadband. We are focused on ensuring that everyone can benefit from digital connectivity, including during lockdown, and have invested over £25 million to address digital exclusion through the Connecting Scotland programme.

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We have excluded urban areas from our R100 contracts, reflecting our view that public investment should be made where it is most needed – in rural Scotland. We will invest £384 million in the North Lot contract, £83 million in the Central Lot contract and £133 million in the South Lot contract. All three R100 contracts are now signed and building has already started in the South Lot.

Our Scottish Broadband Voucher Scheme (SBVS) will ensure that everyone who requires a superfast broadband connection by the end of 2021 can have one. In some cases, rural premises may be eligible to combine the SBVS main voucher, worth up to £5,000, with funding from the UK Government's Gigabit Broadband Voucher Scheme (GBVS), which can provide up to £1,500 for residential premises and £3,500 for businesses. If a premises is eligible, the chosen supplier will take this into account automatically and manage the application on the applicant's behalf.

Our new online address checker is live and provides information on the R100 and commercial rollout. Information will become more detailed as survey work progresses, with information to be provided down to premises level. More information can be found at: www.scotlandsuperfast.com.

Digital skills

Digital skills development is critical across the economy and is a key driver of economic and inclusive growth. We have invested approximately £28 million over the past seven years to support businesses and individuals to develop their digital skills. Over £12.5 million of this funding has been focused specifically on delivery of the Digital Skills Investment Plan, seeking to tackle both immediate digital skills shortages and to boost the number of skilled individuals we have in the pipeline and in the workplace.

In May 2019, we launched the £1 million Digital Start Fund, an inclusive growth policy that assists those on low incomes or in receipt of benefits to gain digital qualifications and enter the labour market. Year 2 was launched in Autumn 2020 with a further £1 million of funding.

We have leveraged the recently announced £25 million Transition Training Fund to reskill those affected by COVID-19 and enable them to move into sectors of high growth, such as technology. Through this, Skills Development Scotland (SDS) has been awarded funding to provide additional placements to the Digital Start Fund and open it up to recent graduates. SDS and SDI have also been awarded funding for an Employer Catalyst Fund, which will award funding to businesses with innovative digital technologies to provide bespoke in-house training, meaning employees can be upskilled while allowing businesses to retain IP and confidentiality.

In 2020, the Cabinet Secretary for Finance commissioned Mark Logan, tech entrepreneur and former Skyscanner COO, to undertake a short-life review into how Scotland's technology sector can contribute to our economic recovery following the pandemic. In the widely acclaimed review, education, infrastructure and funding were identified as fundamental areas upon which the performance of Scotland's technology ecosystem rely. The review sets out a range of recommendations concerned with stimulating and accelerating the maturity of the technology ecosystem, including a number that relate to education and skills. Our Programme for Government confirmed that we accept the Logan recommendations and we are now working to implement them.

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Thank you for highlighting these specific impacts of Covid-19. I hope that this letter and the Scottish Government's response to the Committee's report are helpful contributions to your considerations. If there is any further assistance I can be then please do not hesitate to contact me.

*Kind regards
Fiona Hyslop*

FIONA HYSLOP

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