



T: 0300 244 4000
E: scottish.ministers@gov.scot

Gordon Lindhurst MSP
Economy, Energy and Fair Work Committee
Convener

28 January 2021

Dear Gordon

Thank you for your submission regarding the Committee's pre-budget scrutiny report – **COVID-19 Impact on Businesses, Workers and the Economy**. The input of the Parliament's committees is a valued part of the budget scrutiny process and I thank you for the time and care in preparing your submission.

In recognising the limited time the Scottish Parliament has to consider the Scottish Budget, I am providing this response to the Committee's report today, on the day that the Scottish Budget is published, to help inform the committee's consideration of the Budget.

Kind regards
Fiona Hyslop

FIONA HYSLOP

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COVID-19: impact on businesses, workers and the economy and pre budget scrutiny - SG response to Committee's Recommendations

Section One – Background and Impact on Businesses

Covid-19 – Business Support - Impact on Businesses

Committee Recommendation

The Committee agrees that working together is key to supporting businesses and workers through the crisis. The Committee believes that it is vital that both governments work with businesses, trade unions and individuals to identify and address any delays or gaps in financial support. It is important that information on funds available, and any gaps, is made available for scrutiny (as discussed below in the section on data)

Scottish Government Response

The Scottish Government recognises and appreciates the real difficulties that businesses are facing as a result of COVID-19. From the beginning of the pandemic, we have done everything possible, within our limited resources, to help Scotland's businesses.

Scottish Ministers have had regular and frequent engagement with trades unions throughout the pandemic in helping to respond to the impact on business and the wider economy and to keep workers and the public safe. This included a now weekly, and up to the summer, twice weekly, roundtable meeting between ministers and the STUC General Council members. This enabled union input into and feedback on the wide range of business support and other measures developed and delivered this year. Officials have also had direct engagement with the STUC and relevant trade unions on the development of specific business support schemes. Trade unions worked closely with business representatives and government to develop COVID sectoral guidance for construction, manufacturing, retail and many other sectors.

Since the start of the pandemic, our support for business and the economy totals almost £3bn, more than a third of total COVID-19 funding. Our initial support package of £2.3bn provided grants of up to £25,000 to over 90,000 business premises, in addition to providing 100% NDR relief for all retail, leisure and hospitality premises. In addition, a universal 1.6% relief is available to all non-domestic properties in Scotland. Since October we have allocated over £715 million to business support, including an additional £225 million announced in December. This includes support of up to £3,000 every four weeks for businesses closed or restricted by law, through the Strategic Framework Business Fund as well as bespoke funding for sectors such as tourism and culture, taxi drivers and the newly self-employed which have been hit hard. We are working with businesses and our partners in local government to ensure we understand all the impacts and how best to support affected businesses. We will also continue to engage with specific sectors that may face unique impacts and consider how best to provide help and support.

- In August, we announced £1m of funding directly to Aberdeen City Council to provide £900k of one-off grants to hospitality businesses directly impacted by the local restrictions in the city. This included a discretionary fund of £100k for businesses impacted but not directly specified in regulations. Since the scheme was announced on

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17 August, Ministers agreed that the local authority could 'top-up' the £100k discretionary fund with any underspend of the £900,000, should there be more demand from businesses experiencing wider impacts.

- The £28m Covid Restrictions Fund made Closure and Hardship Grants available to eligible businesses impacted by restrictions that were in place between 9 October and 2 November 2020. The Fund closed to applications on 3 November. It offered closure grants of up to £4,310 for hospitality and other businesses in the central belt required to close by the regulations that came into force on 9 October. It also offered hardship grants of up to £2,155 for businesses that were not required to close by the regulations but that were significantly impacted by the restrictions, such as pubs and restaurants outwith the central belt and some businesses in the hospitality supply chain.
- The £11m Contingency Fund offered support for nightclubs and soft play businesses that needed support and had been closed by law since March 2020. Grants of up to £50,000 were available depending on the rateable value of the business premises. A list of the full criteria can be found on the Scottish Government website.¹
- The Furlough Support Fund aimed to support an estimated 120,000 furloughed employees at a cost of almost £9m by helping businesses with the 20% of salary costs they were required to pay under the UK Government Job Retention Scheme during the period 9 October to 31 October. Grants of £1,650 were available for businesses required to close on the 9 October in the five health boards. The fund covered the period before the UK-wide job retention scheme came into place on 1 November. It provided transitional support and reflects the reduced preparation timeframes for businesses and was delivered via local authorities.
- The Strategic Framework sets out the Scottish Government's ongoing package of support for businesses from 2 November 2020. The Strategic Framework Business Fund offers grants of up to £3,000 for businesses required to close by law, and grants of up to £2,100 for businesses that remain open but are specifically required to modify their operations, for every four weeks of restrictions. Local authorities are delivering these grants on behalf of Scottish Government, and more information can be found here. Caps on maximum support through the Strategic Framework Business Fund were lifted from 1 January for businesses that operate from multiple premises.
- On 17 November 2020, the First Minister announced that an additional £45 million in funding would be made available to local authorities to support businesses impacted by COVID-19. £15 million for newly self-employed people builds on the Newly Self-Employed Hardship Fund that we introduced in April in order to mitigate the financial challenges for those who are unable to access the UK Government's Self Employed Income Support Scheme. £30 million has been made available to local authorities to support businesses over the coming months. The use of this funding is entirely at the discretion of local authorities based on the specific needs of their local economies.
- On 9 December 2020, the Cabinet Secretary for Finance announced £570 million of additional business support. This includes funding for the strategic framework, local business support packages, the newly self-employed hardship fund and local authority discretionary business funding listed above. It also includes a £185 million package of

¹ [Coronavirus \(COVID-19\): Business Contingency Fund - gov.scot \(www.gov.scot\)](https://www.gov.scot)

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targeted support for businesses hit hardest by the pandemic. The overall package includes support for tourism and hospitality business sectors, including the wedding sector, events sector, inbound tour operators, accommodation services, including self-catering, visitor accommodation hostels, hotels, B&Bs and guest houses, the outdoor tourism sector, visitor attractions, coach companies and tour operators, & hospitality.

- On 27 December 2020, an additional £41 million top-up support fund was announced for non-essential retail and gyms, which are required to close in Level 4. They will be given up to an additional £3,000 as a one-off payment. This is in addition to top up grants for hospitality announced earlier in December.
- On 11 January 2021, the Cabinet Secretary for Finance announced one-off top-up grant support for hospitality, retail and leisure businesses. Larger hospitality businesses will receive a top-up of £25,000 compared to just £9,000 in England, and smaller hospitality business will receive £6,000. Retail and leisure businesses will receive a one-off top-up of £9,000 or £6,000 depending on rateable value – which increases the amount announced in December
- On 12 Jan 2021, the Cabinet Secretary for Finance confirmed additional one-off funding for the Local Authority Discretionary to support hospitality, retail and leisure businesses on Scotland’s islands. Funding will be shared by Orkney, Shetland and Comhairle nan-Eilean Siar – all of which are wholly covered by level 3 coronavirus (COVID-19) restrictions. Some funding will also go mainland local authorities, which have islands. The move brings support for island businesses in these sectors into line with those affected by level 4 restrictions on the mainland.

The Scottish Government shares the Committee’s commitment to working closely with local authorities, businesses and trade unions to do all we can to support business resilience and recovery, and accepts the importance of publishing available data to allow scrutiny and collaborative work to deliver improvements and better outcomes.

Data – Committee Recommendation

The Committee understands the initial reasons for the lack of disaggregated data, given the speed at which business support has been provided during the pandemic and notes that data has since been published by both Governments. However, gaps still remain. The Committee asks the Scottish Government and its agencies to set out what steps they are taking to ensure that there is equality of awareness and access to business support during the pandemic, especially for businesses led by women, people with disabilities and ethnic minority businesses.

The Committee also asks the UK Government to provide more consistent data on the uptake in Scotland of business support packages and loan schemes.

Scottish Government Response

Equalities information was not captured as part of the management information collected for the Scottish Government COVID-19 business support schemes, so it is not possible to ascertain the extent to which access to business support differed between different equalities groups from this source.

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However, as part of their evaluation of COVID-19 business support schemes, Scottish Government analysts are planning to undertake a survey of beneficiaries of some of the support schemes and intend to collect information on the equalities characteristics of business owners. This will help to understand how access to and the impact of business support schemes might differ between groups, though this will be dependent on the ability to survey a large enough sample to cover smaller groups such as ethnic minority run businesses.

This work on access and impact will be used to inform our wider approach to business support.

All government support has been accessible via the Find Business Support website, and this has been updated continually throughout the pandemic to include the latest general and sectoral support available.

The UK Government has published data on the take-up in Scotland of the Coronavirus Business Interruption Loan Scheme (CBILS) and the Bounce Back Loan Scheme (BBLs) lending (most recently on 15 Oct²). While we note that the schemes close to new applicants on 31 January, it would have been helpful for this data to be published on a monthly basis, in line with the publication of UK data. Figures show that just over 79,000 Scottish businesses received £3 billion in loans, proportionate to Scotland's business base as a percentage of the UK business population.

Regions – Committee Recommendation

Later in this report, the Committee will explore the 'place based' approach being pursued by Scotland's enterprise agencies. Given the regional and sectoral divergence across Scotland, the Committee agrees that business support should be from the ground up and tailored to the local economy. The Committee recognises that the immediate response to the crisis could not fully embrace this approach, given the urgency of the situation. However, the Committee recommends that this approach is taken to the provision of business support going forward.

Scottish Government Response

Place-Based Investment Programme

Our Place Based Investment Programme will be implemented in 2021 and complements work already underway through the Place Principle. The Programme will provide a framework for ensuring that how we invest in places to deliver national priorities is framed by local characteristics, needs and opportunities. It will help us meet our ambitions on Community Wealth Building, to ensure people are at the centre of local economic development, redirecting wealth back into the local economy, and placing more control and benefits into the hands of local people. £275 million has been allocated to support this programme over the next five years, and we will work with partners, including CoSLA, on how it can be best deployed to have the greatest impact locally.

The Programme will accelerate our ambitions for 20 minute neighbourhoods – where people can meet their needs within a 20 minute walk from their home – enabling people to live better, healthier lives and supporting our net zero ambitions. This means most people being able to live and work locally, pursuing opportunities, learning and wellbeing in their own neighbourhoods, and providing greater investment and support for local economies and independent businesses.

² [Regional analysis of Coronavirus loan schemes shows continued even distribution across the UK - British Business Bank \(british-business-bank.co.uk\)](https://www.british-business-bank.co.uk)

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20 minute neighbourhoods brings together a number of policies and investments that are already Scottish Government priorities, including active travel, regeneration, town centres, infrastructure investment, climate change, Community Wealth Building, and access to greenspace and local services.

On 16 June 2020, the Cabinet Secretary for Finance announced a £230 million economic recovery stimulus package, covering construction, low carbon projects, digitisation and business support, which will provide a flow of work for businesses and support jobs. £30 million of that total is being invested this year via the Regeneration Capital Grant Fund (£12m) and the Town Centre Fund (£18m), supporting local construction and employment opportunities across Scotland as part of delivering regeneration, revitalised town centres and neighbourhoods, and inclusive growth. It recognises the important need to support disadvantaged areas in the recovery from the pandemic, and is additional to over £160 million already offered through the Regeneration Capital Grant Fund to date, plus the £50 million Town Centre Fund launched in 2019/20.

Since March 2020 we have provided £22 million in recovery and resilience funding specifically for town centres, smaller settlements and Business Improvement Districts. £18 million of this investment has been distributed to all 32 local authorities through the 2020/21 capital Town Centre Fund.

Our £1 million 'Scotland Loves Local' Fund is supporting locally based community groups to develop local marketing and infrastructure projects in their communities. The fund will help initiatives which support businesses, such as projects to encourage safe shopping, business and leisure opportunities, promoting and advertising local providers of online shopping, or enhancing visitor appeal, depending on safety and local restrictions at the time.

The fund builds on the success of our 'Scotland Loves Local' national marketing campaign. The campaign, led by Scotland's Towns Partnership and match funded by STV, has been welcomed at national and local level and is motivating people across Scotland to make a deliberate effort to shop, eat, drink and relax safely in their local town centres.

In addition to the actions noted above, the Scottish plan for the replacement of the EU Structural Funds will see support devolved to the lowest appropriate level, empowering regions and communities to develop and deliver programmes that address their key challenges. Delivery of this plan is contingent on the UK Government respecting the devolution settlement and transferring Scotland's share of replacement funding to the Scottish Government.

The Rural Economy

The rural economy contributes over £37 billion to Scotland's national economy. It is characterised by a higher proportion of micro enterprises, SMEs and levels of self-employment. People are also 2-3 times more likely to work at home than in urban areas. Approximately 25% of rural business leads are aged 60 years or over, and this is a group which may be more vulnerable to COVID-19.

GrowBiz Scotland

Given the urgent need to support rural businesses in recovering from the economic effects of COVID-19, the Scottish Government is funding £127,600 to support the ongoing work of GrowBiz across rural Scotland until October 2021. As part of this project, GrowBiz will aim to

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support at least 600 businesses/start-ups with one-to-one tailored support and a combination of Peer Learning and Peer support sessions.

GrowBiz Scotland is a well-established rural enterprise support organisation providing an integrated programme of services to support small and micro-businesses, including social enterprises, across a diverse range of sectors in rural areas. Since the start of the Covid-19 crisis in March, with its team of facilitators it has assisted more than 800 businesses with 1-1 support and delivered around 80 online interactive peer learning, networking and mentoring events, with more than 1,050 attendees.

The Programme for Government 2019-20 contained a commitment to pilot a place-based approach to integrated business support for micro-enterprises operating in rural areas. GrowBiz has been extending its programmes of support, originally delivered in Perth & Kinross, across rural Scotland since the autumn of 2019, in delivering this pilot. Evaluation results are due by the end of 2020 and early indications are that this has been a crucial intervention. However, we are unable to determine how much of the pilot covered startups/entrepreneurs

LEADER and the wider Scottish Rural Development Programme

LEADER and the wider Scottish Rural Development Programme is currently funded through the EU Common Agricultural Policy (CAP). LEADER is a good example of place-based inclusive growth in action, where communities are determining local priorities. Projects are created and developed at grass-roots level to deliver what the area requires, resulting in greater investment from the local community.

LEADER forms part of the Scottish Rural Development Programme with funding provided as part of the existing 2014-2020 multi-year financial framework (MFF) agreed with the European Commission. The overall financial allocation for LEADER over the 2014-2020 programme period totals £82.0 million, comprising EU funding and Scottish Government co-financing. Of this funding total, £77.4 million has been directly allocated to Local Development Strategy areas, with the remaining funding of £4.6 million enabling the completion of legacy projects from the 2007-13 MFF period.

Funding directly supports approved grant projects in each of the 21 areas across rural Scotland and the costs of over 65 staff in rural areas to operate the programme. Staff are generally employed by local authorities but their posts are fully funded by the programme. The UK Government has still to provide further clarity on future arrangements for the replacement of LEADER funding.

It has been indicated that non-farming support currently delivered via the CAP, which includes LEADER, will in future be covered by the UK Shared Prosperity Fund. However, we require further clarity on whether the Shared Prosperity Fund will include LEADER and importantly ensure full EC fund replacement. We have been clear and consistent in our position. We expect full replacement of EU funds from the end of December to ensure no detriment to Scotland's public finances, and we expect the UK Government to fully respect the devolution settlement in any future arrangements.

Irrespective of the source of funding for LEADER post 2020, Scottish Ministers have set out 'red lines' on the need to replace funding in full to ensure LEADER and community led development continues in Rural Scotland.

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Debt - Committee Recommendation

The Committee recognises that debt levels are rising as a result of the crisis; this will impact on economic recovery. The Committee asks the Scottish and UK Governments to set out how their future response to the crisis will address higher levels of indebtedness by businesses.

Scottish Government Response

Data from the Business Impacts of Coronavirus Survey (BICS)³ show that almost a third (30%) of businesses in Scotland received Government-backed accredited loans or finance agreements. The debt taken on by businesses during the pandemic has been crucial in helping them survive. BICS data show that 71% of businesses in Scotland who received COVID-19 Government support reported that it had helped them continue trading. However, it has also raised concerns about businesses' ability to repay and the impact it will have on future growth.

Analysis of the indebtedness of firms in Scotland prior to the crisis using FAME data suggested that liquidity ratios were lower and gearing ratios were higher in the sectors which were most affected by the pandemic (including 'Retail and Wholesale Trade', 'Accommodation and Food Services' and 'Construction') suggesting they had less room for manoeuvre than other sectors. These sectors were then more likely to take on further debt during the crisis, as measured by the share of Coronavirus Business Interruption Loan Scheme (CBILS) and Bounceback Loan Scheme (BBLs) facilities approved in these sectors.

Results of the 2020 Q3 BVA-BDRC SME Finance Monitor report show that the proportion of UK SMEs concerned about their ability to repay existing finance in the next 12 months doubled between 2020 Q1 and Q2 (from 14% to 29%) but fell back somewhat in Q3 to 21%.

An Institute of Directors survey conducted in May 2020 found that half (51%) of UK company directors surveyed said that debt their organisation had taken on during the crisis would have a negative impact on their recovery, while 57% said it would hold back their investment plans over the next two years. Less than a third said that debt they had built up would have no impact on either their recovery or medium-term spending plans.

The Scottish Government is clear that managing the exposure to debt incurred during the pandemic is one of the critical challenges facing the Scottish economy. We will tackle this in three ways.

Firstly, it is clear that debt on such an unprecedented scale can best be addressed through the fiscal and regulatory levers at the disposal of the UK Government. Scottish Ministers will therefore press the UK Government to ensure that the ambition of its policy response matches the scale of this challenge. For example, there is a strong case for delaying the initiation of repayments to Coronavirus loan schemes such as Bounceback for at least 12 months to allow businesses the time and space to rebuild and preserve jobs. Other measures that may be helpful include extending furlough and the Trade Credit Insurance Guarantee; ensuring that there are clear, fair and sympathetic arrangements in place for recovering debt; and

³ Data from wave 16 of the weighted Scotland estimates compiled by the Scottish Government using the Office for National Statistics' (ONS) Business Impacts of Coronavirus Survey (BICS). The data is for businesses with 10+ employees and a presence in Scotland and relates to the period 19 October to 1 November 2020.

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introducing effective transitional finance schemes that retain the best features of the schemes introduced during the pandemic, ensuring that businesses retain access to capital for both resilience and growth.

Secondly, we continue to work very closely with the banks, who are able to provide real-time insights into the sectors and localities where there is emerging risk. These data will be crucial in the development of policy solutions that help those who need it most. We also continue to press the banks to go as far as possible in supporting customers, for example through the extension of working capital, repayment holidays, and pro-active advice that we have already seen through the pandemic.

Thirdly, while such interventions rely on the availability of appropriate resource from the UK Government, it is clear that businesses will require access to new capital, both to manage debt and for new investment to grow and create jobs.

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Section Two – Enterprise and Local Economic Development Agencies

Enterprise Agency Activity – Response to Covid-19

Committee Recommendation

The Committee welcomes the alignment that has been demonstrated as a result of the crisis. However, there is still work to be done on longer-term strategic alignment. This is covered later in the report.

A Place-Based Approach - Committee Recommendation

Evidence on the need for a more regional local approach would suggest that recent shifts in Scotland’s economic policy landscape towards a place-based approach have yet to have an impact. The enterprise agencies have committed to a more regional approach. Given the evidence set out earlier in the report on the differing local economies across Scotland, the Committee agrees that this approach must be pursued with urgency. The Committee notes SE’s pilot activity around a ‘place based’ model and asks it to set out its longer-term plans for this approach. Given that Scotland’s economy is in crisis, place-based interventions are needed across the whole country, including an enhanced role for local authorities in supporting businesses. This is covered later in the report.

Scottish Government Response

The Scottish Government agrees and thinks it is important that the Government and our enterprise agencies recognise that different regions have different strengths and different opportunities and challenges and that the way the enterprise agencies plan and operate reflects this. A Place Based Approach was endorsed by Scottish Enterprise’s Board in February 2020, pre-covid. This is currently being revisited to consider the ways in which Scottish Enterprise are able to work intensively with partners in the three regional economies (Glasgow and Clyde, Ayrshire and the North East) highlighted in our Economic Recovery Implementation Plan (August 2020). Scottish Enterprise’s contribution to a place based approach is summarised in the table below:

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SE's Place Based Approach



As the Economic Recovery Implementation Plan notes, this shift to a more bespoke, regionally-focused approach across all Scottish Enterprise areas is due to be completed by the end of 2022. Scottish Enterprise will keep the Committee apprised of developments as they emerge.

Regional Selective Assistance - Committee Recommendation

The Committee welcomes the provision of jobs and regional data on RSA projects. To aid transparency, the Committee recommends that all local authorities are included in the data, including those which received no grants. Regional data for previous years' spend should also be provided.

Scottish Government Response

The figures broken down by Local Authority in the RSA annual report were for awards. The data for previous years was included in the letter Scottish Enterprise submitted to the Committee post the 2019 pre-budget session.

Committee Recommendation

In its pre-budget scrutiny report in 2019, the Committee noted the striking regional disparities in the award of RSA over the last five years. We acknowledged that RSA is part of a wider package of support for businesses across the regions and is demand led. However, the Committee recommended that work should be carried out as a matter of urgency to maximise demand stimulation across the regions. The Committee asks the Scottish Government and its agencies to consider how to ensure a more even spread of RSA to make sure that funds are awarded to businesses most in need of support across Scotland.

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The Scottish Government remains committed to delivering sustainable and inclusive growth across all of Scotland and is working with enterprise agencies and the Scottish National Investment Bank to achieve this, including work to stimulate demand to create a strong pipeline of projects that align with the Bank's missions. The enterprise agencies also work with Regional Economic Partnerships to ensure that their products, services and support can be flexed to meet the distinct needs and opportunities of each region. However, it is critical that any support to a business reflects the distinct needs and ambition of that business and is not provided simply to achieve an agency based target for a particular service or product.

Local Economic Development Response - Committee Recommendation

The Committee welcomes the alignment between the enterprise agencies and local economic development partners to deliver business support during the pandemic. The Committee asks the Scottish Government to set out how it will ensure that there continues to be such strategic alignment in future.

Scottish Government Response

All three of our enterprise agencies already work closely with businesses and partners, including local government, in the regions they serve.

Regional Economic Partnerships (REPs) and forums such as the Convention of the Highlands and Islands and the Convention of the South of Scotland play an important part in this joint working.

REPs, bring together local and national government, our enterprise and skills agencies, the education sector, and business to align and leverage economic opportunities. They are now in operation across most of Scotland and we are working with our enterprise agencies and local government colleagues to ensure REPs play a strong role in regional economic recovery and renewal.

Since the outset of the pandemic, the Scottish Government has been working closely with its enterprise and skills agencies and local government (through CoSLA, SoLACE and SLAED) to ensure a joined up approach to business support. The strengthened structures and relationships we have established through this work are now being used to develop a longer term approach to joint working, learning in particular from the Partnership Agreement already in place with local government for employability and skills. As part of this, the Business Support Partnership (BSP) brings together our enterprise and skills agencies, local government and Business Gateway and the Scottish Government to improve access to advice and support for current and future businesses in Scotland by collaborating on the design, development and delivery of public sector support for businesses across all parts of Scotland so that such support:

- is clear, simple and straightforward to access, ensuring that businesses can get to the right kind of support at the right time;
- is centred on the needs of businesses and the communities they serve;
- increases alignment, clarity and decluttering of business support available from the public sector to companies; and
- achieves more benefit for the economy locally, regionally and nationally as a result of joined up, system-level cohesive working

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Signposting to the findbusinesssupport.gov.scot website remains key.

Role of local authorities in delivering Covid-19 business support – Committee Recommendation

The Committee notes the scale of the challenge met by local authorities in delivering funding to businesses across the country. The Committee would like to thank all those involved in delivering such a swift response. The Committee recommends that local authority delivery of COVID-19 business support is reviewed so that lessons can be learned for future funding programmes, including a review of digital systems and looking at how they can be aligned across the economic development agencies.

Scottish Government Response

The Scottish Government shares the Committee's gratitude to those involved in delivering funding to businesses both swift and efficiently.

A number of business support schemes have been administered by Councils using data held on the Non-Domestic Rates Valuation Roll.

The need for improved digital services for the Non-Domestic Rates system was a key theme emerging from the Barclay Review of Non-Domestic Rates and subsequent implementation work.

In January 2020, the Scottish Government funded a joint discovery project in partnership with COSLA and Digital Office for Scottish Local Government to explore opportunities for improvements in digital services to improve the administration of the Non-Domestic Rates system and the user experience. The discovery project concluded as planned in April 2020 although some of the research activities, particularly the stakeholder engagement, had to be curtailed in response to the emerging Covid pandemic and associated lockdown. Work to progress the findings of the discovery project has been paused in order to prioritise the ongoing business support response to Covid.

Budget - Enterprise Agency Budgets - Committee Recommendation

Whilst the Committee agrees that support for growth companies is important, the lack of flexibility in SE's budget is a cause for concern. The Committee recommends that more flexibility and contingency is built into Scottish Enterprise's budget to allow them to respond to unforeseen circumstances. The Committee asks the Scottish Government and Scottish Enterprise to set out how this can be achieved.

Scottish Government Response

We do recognise that the agencies are experiencing particular budget pressures due to Covid-19 and we are keeping this under constant review with the both agencies regularly communicating with Scottish Government officials on their demands and resources in

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response to COVID-19. We have also addressed this on the face of the budget, providing an additional £12 million resource funding and £30.2 million for capital.

Both Scottish Enterprise and Highlands and Islands Enterprise are focussing their resources and people on those areas where they can make most impact, including working even more closely with local, regional and national partners and we will continue to do all we can to support them.

In addition, Scottish Enterprise are taking steps to create discretionary budget availability for 2021/22 to address opportunities/risks that emerge during the course of the year. This will be done in two ways:

Firstly, they are seeking to take advantage of additional income from investment returns & additional budget provision from the Scottish Government in the current year to accelerate elements of the large grant pipeline from 21/22. This will enable Scottish Enterprise to approve large grant funding for up to 160 new company projects between now and the end of 2020/21. Scottish Enterprise will invest up to £140m in these projects over the next two to three years, bringing about up to £500m in investment and creating or safeguarding more than 9000 jobs.

Secondly, there are signs that activity in investment markets is beginning to pick up during the current financial year, which, if the trend continues, could result in additional returns from investment exits during 2021/22, so Scottish Enterprise will revise their targets for investment related income accordingly.

These arrangements will allow Scottish Enterprise to create discretionary funding headroom (non-committed budget) within the overall Capital budget for 2021/22. However, given the lead times associated with capital expenditure, this budget cannot remain uncommitted much beyond October/November 2021 or else they potentially increase the chances of underspend. The discretionary element of the budget will need to be managed carefully during the year to avoid under-utilisation.

Committee Recommendation

The process of awarding funds on a multi-annual basis has led to a lack of funds for new projects. It is important that there is transparency in this multi-annual allocation of SE resources and that these commitments are published for scrutiny. The Committee notes that discussions on SE's forthcoming budget are underway and asks to be informed of the outcome.

Scottish Government Response

Scottish Enterprise's multi-annual commitments operate in a dynamic way and the pipeline of ongoing commitments is not static, as the forecasts for individual projects will be revised regularly. Much of the reason for this is outside their control, resulting from approval and progress of projects by the company as much as by Scottish Enterprise. Moreover, it has to take into account the income position, both with Scottish Enterprise having to ensure there is budget available to make commitments in any one year, and the remaining finance for the project, as Scottish Enterprise only ever funds a proportion of the total cost.

The Committee notes Scottish Enterprise's evidence that the annuality of their budget can be challenging, particularly in relation to capital commitments. The

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Committee invites the Scottish Government to consider this and any other measures which can assist SE with forward planning and budgeting.

Scottish Government Response

The Scottish Government recognises the difficulties an annual budget presents and to address these issues and to provide further confidence and stability to capital planning we are publishing our 5 year Capital Spending Review and an Infrastructure and Investment Plan on the 4 February. Scottish Enterprise welcomes this positive development which enables SE to plan with increased certainty.

Targets Committee Recommendation

The Committee notes evidence from HIE about work with the analytical unit on the NPF to improve consistency of measurement of outcomes. The Committee has previously recommended alignment of targets and outcomes and asks to be informed when this work has been completed. This strategic alignment should reach across local economic development agencies and the new Scottish National Investment Bank, for which missions are currently being set.

The Committee notes that Scottish Enterprise has achieved all of its targets again for the last financial year. Whilst this is to be commended, the Committee asks the Scottish Government and the Strategic Board to set out progress in ensuring that challenging and aligned targets are set for Scotland's enterprise agencies.

The Committee welcomes the evaluation of COVID-19 business support schemes. The Committee asks to be kept updated on this work.

Scottish Government Response

The Enterprise and Skills Strategic Board's role is to assess the collective performance of the enterprise and skills system in achieving the aim of Scotland being in the top quartile of OECD countries for productivity, wellbeing, equality and sustainability.

The enterprise and skills agencies are working with the Strategic Board's Analytical Unit to continue to improve the consistency of measurement and further develop a shared understanding of common outcomes relating to the activities undertaken and expenditure and ensuring these are fully aligned with the National Performance Framework.

Scottish Growth Scheme - Committee Recommendation

The Committee notes that an additional £100 million of investment has been made over the past year through the growth scheme; however, £240 million is still unallocated. The Committee asks the Scottish Government to clarify how it intends to use these funds. The Committee notes the challenges in securing match funding but asks the Scottish Government to consider how to stimulate demand or re-purpose the fund to ensure that the money reaches businesses in need.

Scottish Government Response

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The Scottish Growth Scheme is still active and will continue to deliver much needed finance for Small and Medium-sized Enterprises (SMEs) for many years to come in the form of microfinance up to £25,000; loans of between £25,000 and £100,000; and equity of up to £2 million. It is not £500 million of public money to be allocated, and is delivering **up to** £500 million investment into Scottish SMEs through a combination of public, private, European and other sources. As at 30th November 2020, 506 companies have now received £296 million in the form of debt and equity. The amount invested and the number of companies increase on a month-by-month basis. The Scottish Growth Scheme is promoted through the Enterprise Agencies, Business Gateway, findbusinesssupport.gov.scot website and by direct marketing by the individual Fund Managers who provide loan and equity investment to Scottish SMEs.

SNIB: Role in Covid-19 Recovery – Committee Recommendation

Committee Recommendation

There is a need for SNIB to be launched as soon as possible to support the recovery. The Committee is conscious that this depends on State Aid clearance and, as stated in the Committee’s response to the consultation on the bank’s missions, we ask to be kept up to date on any delays that would prevent the Bank launching prior to the end of 2020.

The Committee agrees that SNIB should maintain its long-term focus. The Committee will keep a watching brief on the impact of the pandemic on SNIB’s ability to leverage funds.

The Committee notes the role of the enterprise agencies in stimulating demand for SNIB, and the potential challenges in encouraging uptake. It is vital that SE is sufficiently resourced to perform the demand stimulation function.

Scottish Government Response

In the months prior to launch, the Bank secured state aid approval from the European Commission and The Scottish National Investment Bank was launched by the Scottish Government on Monday 23 November 2020. The Bank announced its inaugural investment of £12.5 million to M-Squared Lasers to support the company’s further growth in Scotland and speaks to the bank’s core missions.

We welcome the Committee’s comments on the long-term missions of the Bank. Although the initial economic shock of Covid-19 is expected to be shorter than the long-term nature of the bank’s mission-oriented investment objectives, the Bank is expected to play a key role in supporting Scotland’s recovery by delivering patient and sustained investment. In that, the bank will work closely with established agencies, in particular Scottish Enterprise

We agree with the Committee’s assessment that the enterprise agencies have an important role in stimulating demand for SNIB and that they must be sufficiently resourced to perform the demand stimulation function. At the core of Scottish Enterprise’s work is the development of a robust pipeline of scalable businesses, including investable propositions for SNIB.

Brexit - Committee Recommendation

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The Committee asks both the Scottish and UK Governments to clarify the arrangements that will apply to support economic development in Scotland at the end of the transition period, including in the event of a no-deal exit from the EU.

Scottish Government Response

The Scottish Government recognises and appreciates the real difficulties that are being faced as a result of COVID-19 and EU Exit. When the pandemic began, we moved rapidly to put in place a support package worth over £2.3 billion to provide lifeline support to businesses enabling them to close down safely, and survive through the initial crisis, protecting jobs and livelihoods. We have since announced a further £570m of business support to help mitigate some of financial challenges facing businesses.

Brexit Readiness

We know that dealing with the immediate effects of Covid 19 has impacted heavily on business' ability to make the necessary preparations for the end of the transition period. We and our partner agencies are doing all we can to support businesses to prepare for the disruption, changes and challenges facing them in the coming months. To that end, the Scottish Government has been urgently putting in place contingency plans to protect trade and critical supply chains, to reduce the risks of disruption of goods and people crossing borders, and to provide Scottish businesses with the vital advice and information they need to continue operating effectively after the end of the transition period.

The www.PrepareforBrexit.scot website and associated business helpline provide the main channel of business readiness advice and guidance for companies across Scotland. The website is updated on a daily basis, and also links to updates, advice and help available from the UK Government and others.

The Building Resilience Steering Group brings together the Scottish Government, Scotland's enterprise and skills agencies, Business Gateway, Scottish Local Authorities Economic Development Group, and others to provide coordinated support to businesses to help them prepare for the challenges ahead.

Our enterprise agencies are also offering targeted advice and guidance to over 1200 companies assessed as being particularly vulnerable to Brexit and will continue to offer support to other businesses too as we near the end of the EU transition period and beyond.

EU Structural Funds

In Scotland European Structural Investment Funds have played a vital role in reducing disparities between different parts of the country for over 40 years. Under the current 2014-2020 programmes, Scotland benefits from over £780 million of funding through the European Regional Development Fund and the European Social Fund, which invest in key policies such as our Modern Apprenticeship schemes and our Low Carbon Infrastructure Transition Programme.

The loss of this funding following the UK's withdrawal from the European Union will have a significant impact on the ability of local authorities, community groups, funding bodies and

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enterprise and skills agencies to deliver the kinds of initiatives that will drive inclusive economic growth and promote wellbeing and cohesion in communities right across the country.

Future Funding team

EU Structural Funds Replacement

Despite repeated promises that the Spending Review would clarify how the Shared Prosperity Fund, set to replace the EU Structural funds, will operate, the UK Government has failed to provide the information we need to move things forward. We are still no clearer on how the fund will be allocated, who will run it or if the Scottish Government will be involved in the next phase of development. The proposed transition funding programme – £220m for the whole of the UK for 2021 - is equally opaque.

In Scotland, the Scottish Government has therefore pressed on with developing our own plans which were published on 19 November 2020. These were developed in full partnership with a wide range of stakeholders including Local Authorities, Enterprise Agencies and the Third Sector. They were based on detailed consultation and reflect the concerns and issues that matter to Scottish people.

The Scottish programme will aim to address and reduced economic and social disparities within and between places and people in Scotland. It focuses on four key areas: improving and empowering places, reducing poverty, increasing skills, and growing business and jobs. In addition, key horizontal themes of wellbeing and climate change will be developed to ensure Scotland achieves inclusive growth and meets its net-zero targets.

Decentralisation of control is a key theme of Scottish plans - responsibility for the majority of funding and project management will be devolved to regional partnerships working with Enterprise Agencies, Local Authorities and communities.

We have asked the UK Government to devolve full replacement funding - at least £183 million per year - to the Scottish Government to enable us to deliver our planned activity.

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Section Three – Economic Recovery

Advisory Group on Economic Recovery (AGER) - Committee Recommendation

The Committee will continue to monitor the Government’s response to the AGER report, their implementation of the recommendations, and the appropriateness of recovery plans given the fast-changing circumstances.

Scottish Government Response

The Scottish Government acutely recognises the need for our approach to recovery to remain flexible, to respond both to the changing circumstances of COVID but also to be prepared for the potential shocks associated with Brexit and specifically a no-deal Brexit. We continue to monitor and revise our approach through engagement with Parliament, businesses, and wider economic stakeholders. This engagement has reinforced the message of flexibility but also of a desire for economic recovery to progress, and for a return to prosperity and economic security as we emerge from the necessary COVID restrictions. Our plans for economic recovery clearly set out actions that we will take but, crucially, they set out our wider intentions, which are to return to economic prosperity in a way that supports a sustainable and just transition to a greener future and creates an economy that has fair work and wellbeing at its heart.

As part of the Economic Recovery Implementation Plan, our response to the AGER report published in September, we committed to implementing almost 120 short, medium and long-term actions. I would like to highlight some of the following key actions we have taken since the last update we provided to the committee.

In relation to Employability, Skills and Jobs, the Young Person’s Guarantee officially launched on 5 November, and £30 million has been provided to support local partnership in delivery of the Guarantee. An additional £1 million has been provided to ‘Our Futures Now’ and ‘Discover Your Potential’ to support 16-17 years who are ineligible for support through Kickstart.

We are also increasing investment in activity to support older people back into work through our National Transition Training Fund and increasing investment in PACE, expanding and enhancing the current support offer to assist those who are made redundant. The first strand of the NTTF was launched in October. Subsequently, a second strand to support sectoral projects and a third to support college-led projects, launched on 27 November.

We have committed to prioritising action to address workplace equalities to support those who face particular barriers in the labour market. On 4 November 2020 the Minister for Business, Fair Work and Skills launched our Workplace Equality Fund 20/21 to continue to support the embedding and advancing of equality in the workplace.

GREEN RECOVERY

In line with our Just Transition approach, the Climate Change Plan update was published on 16 December 2020. We committed to allocating £2 billion of new capital funding over the next Parliament to deliver low carbon and natural infrastructure. The initial tranche of funding (£1.6 billion) published with the Programme for Government in September, and the second tranche of £400m was announced as part of the Climate Change Plan update.

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We continue to invest in regional interventions related to a sustainable energy transition through the Energy Transition Fund and work is ongoing on a suite of research projects for Carbon Capture, Utilisation and Storage (CCUS).

The Sectoral Marine Plan for Offshore Wind was published on 28 October 2020, delivering a planning framework for offshore wind projects in Scottish waters.

We committed to introducing Regional Land Use Partnerships from 2021, to maximise the contribution Scotland's land plays to meeting climate change goals. The Scottish Land Commission published its final report on 3 November and we are reviewing the recommendations.

BUSINESS AND SECTORAL SUPPORT

The development of Sector Recovery Plans continues, and we are working collaboratively with Industry Leadership Groups, trades unions and others. The Construction sector recovery plan has been published and funding was announced on 9 December 2020. On 4 December, *Making Scotland's Future: a recovery plan for manufacturing*, was published for consultation. The recommendations of the Tourism Recovery Taskforce were published on 23 October and funding for many elements of this was announced on 9 December. Work continues across other sectors, such as forestry, retail, and food & drink.

As part of our work to refresh our relationship with business, Ministers and officials continue to meet with businesses, trade unions and representatives of local authorities and communities to ensure that the views and concerns of stakeholders are taken into account as part of the development of the COVID-19 Strategic Framework, our business support schemes and the plans for economic recovery.

The Productivity Club Pilots continue to expand, with three new pilots successfully launched in October 2020 in conjunction with SCDI. The initial pilot clubs, in Edinburgh and Glasgow, are joined by new clubs in Highlands & Islands, South of Scotland and the North West.

Creating a Culture Collective will be crucial in supporting the creative industries. The Culture Collective programme was launched by Creative Scotland on 3 November, with funding decisions to be made in early 2021.

We have worked with partners to develop a new Third Sector Recovery Programme, combining investment with enhanced business support to help the sector adapt to new ways of working. The Programme has launched and is in operation

INVESTMENT AND INFRASTRUCTURE

Shaping Scotland's Economy: Scotland's Inward Investment Plan was published on 27 October 2020 setting out the important role inward investment will play in Scotland's economic recovery by delivering 100,000 high-value jobs over the next decade.

The Scottish National Investment Bank has officially opened for business and completed its first major investment. In expanding our City Region and Regional Growth Deal programme, every region in Scotland now has a firm investment commitment for a Deal. Deals are progressing, and implementation and financial arrangements were signed for the £251 million Ayrshire growth deal on 19 November.

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We committed to develop Scotland's 4th National Planning Framework (NPF4), providing an opportunity to signal regulatory support for national developments. The NPF4 Position statement was published on 26 November 2020.

The Digital Planning Strategy was launched on 24 November and will be followed by a Programme launch in the New Year.

We will continue to monitor these commitments regularly, taking action to revise and update where the changing economic environment requires.

Role of Procurement in Economic Recovery - Committee Recommendation

The Committee recognises the role of procurement in promoting fair work, the role of SMEs and the green economy. A number of issues relating to procurement were highlighted in the Committee's Construction inquiry. The Committee had planned to do a full-scale inquiry to examine the effectiveness of the Procurement Reform (Scotland) Act 2014. However, due to pressures on the work programme caused by the pandemic, the Committee has scaled down that work. The Committee has launched a call for views and will explore evidence received in an oral evidence session with the Cabinet Secretary in early 2021.

Scottish Government Response

We note the committee's call for views and evidence and welcome the coming opportunities to contribute to the Committee's Procurement inquiry.

In response to the pandemic, the Construction Leadership Forum was re-purposed to focus on developing an Industry Recovery Plan. Within this plan, there are a number of actions including: to build sustainable assurance and payment practices, develop a construction pipeline database, and establish a number of construction Frameworks, as well as support supply chain resilience and capability.

On 3 December 2020, we provided evidence on Fair Work practices in construction procurement to the Fair Work Convention Construction Industry Inquiry Group. We continue to work with contracting authorities and industry to learn lessons and promote best practice.

The Cabinet Secretary for Finance wrote to public sector senior leaders in September 2020 encouraging them in the continued use of community benefits. In particular, to use them to achieve opportunities for those most disadvantaged by the pandemic, specifically young people, women, and vulnerable groups.

Community benefits are enshrined in the Procurement Reform (Scotland) Act 2014 through a specific provision to consider their use for all contracts of £4 million or more, and through the sustainable procurement duty. Public bodies are required to produce annual procurement reports under the Act. As part of that report, bodies must provide a summary of any community benefits that were delivered that year through their procurement activities.

Community benefit requirements are consistently used in major contracts. Examples include: dualling of the A9, the Scottish Government's 'Warmer Homes Scotland' contract, and Glasgow City Deal procurements.

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Economic Recovery – Measuring Outcomes - Committee Recommendation

The Committee notes the intention to measure economic recovery policies against the NPF and a new wellbeing economy monitoring framework. The Committee asks the Scottish Government and the enterprise agencies to set out how this will tie in with existing performance measurement frameworks. The Committee also asks the Scottish Government to provide a timetable for setting up the new wellbeing economy monitoring framework.

Scottish Government Response

Scotland's National Performance Framework is the overarching framework for measuring wellbeing in Scotland and progress towards creating sustainable and inclusive growth. This is the framework to which all others, including the Enterprise and Skills Strategic Board Performance Framework and the new Wellbeing Economy Monitor, are aligned.

The Wellbeing Economy Monitor is being developed to assess how the economy is performing across the multiple dimensions of wellbeing – economic, social and environmental – and will adopt a four capitals approach to ensure we take a long-term view of the inter-dependencies between social, economic, human and natural capitals.

Progress on the Wellbeing Economy Monitor has been shared with the Enterprise and Skills Strategic Board. Initial outputs of work to develop the Wellbeing Economy Monitor and to understand priorities for delivering the wellbeing economy will be available in 2021. More detailed timeframes will be shared when possible.

Section Four – Impact on Young People and the Labour Market

Views of Young People - Committee Recommendation

The Committee believes that young people should be consulted and actively participate in developing policy responses to the pandemic. The Committee asks the Scottish Government to set out how it will ensure that this consultation and participation takes place on an ongoing basis.

Scottish Government Response

For the Young Person's Guarantee to achieve its aims the Scottish Government recognises that it must meaningfully engage with a variety of stakeholders, including young people themselves and youth organisations. Implementation of the Guarantee will be a collective endeavour involving collaboration across partners.

We have established an Implementation Group for the Guarantee chaired by Sandy Begbie whose membership consists of stakeholders from the public sector (including Skills Development Scotland, local government, education partners, and DWP), third sector (including equality groups and youth organisations), and private sector. The Group has developed a high-level Activity Plan, published on 5 November 2020, setting out the key activity to be taken forward and built upon when implementing the Guarantee. This includes activity around communications and engagement to promote the Guarantee.

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The Scottish Government has been clear that young people must be central to the design and implementation of the Guarantee to ensure that the issues which matter to them are reflected. We are continuing to engage with young people themselves and trusted organisations that represent them, for example Young Scot and Intercultural Youth Scotland. Reports from this initial engagement activity were published alongside the Activity Plan. Young Scot are also currently establishing a Young Person's Guarantee Leadership Panel and we have also committed to ensuring that a diverse range of young people and youth organisations are involved in the governance structures of the Guarantee.

Regional Impact - Committee Recommendation

The Committee notes that the sectors worst affected by the pandemic are most likely to employ young people and to be particularly important to rural economies. The Committee has heard that policy responses must be tailored to local circumstances. Job creation programmes designed and delivered locally, specifically targeted at the local economy and labour market, are the most effective. We ask the Scottish Government to set out how its labour market policy responses will be tailored to local circumstances.

Scottish Government Response

As part of the Young Person's Guarantee, we are expecting to support an additional 8,000 young people through our £30m investment in local partnerships via Local Government. Local Authorities will be working with local employers to promote a range of support tailored to local circumstances, and to determine what types of support best meets the needs of local young people and employers.

The allocation and distribution methodology for the funding, which was agreed to by Local Government, was based on a fair distribution at a level that enables local authorities and their partners to deliver the Guarantee and took into account relevant indicators such as rurality and deprivation

A significant part of this local partnership funding will be used to provide recruitment incentives which will help employers support young people into work. It will also provide key worker support for those furthest away from work and well as flexibility to fund training and other interventions to wrap-around the DWP Kickstart programme.

In planning local activity for this additional funding, Local Authorities will exploit their scope and potential as employers, service providers and procurers and as an anchor institution with their Community Planning Partners will look to maximise the economic impact for Young People. As part of this programme Local Authorities also have a duty to ensure that equalities issues and equality of opportunity are considered and applied when delivering interventions under Guarantee and to promote fair working practices, including payment of the Living Wage where possible.

College Response

SG have worked with the SFC to provide and allocate additional £10m funding for colleges to deliver a range of options including fast track courses and flexible delivery to facilitate the engagement and targeting of young people to participate in additional learning. Colleges are a key partner in Local Employability Partnerships across Scotland, working with local

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partners to ensure local delivery meets the needs of both local employers and participants. This is particularly important in rural areas where there may be additional challenges, for example, in access, travel and transport, therefore we anticipate that colleges will look at these issues and deliver the most appropriate options in those communities.

Jobs Mission

Our Programme for Government commits to a national mission to create new jobs, good jobs and green jobs. Proposals such as the £25 million National Transition Training Fund, the £60 million Young Person's Guarantee and the £100 million Green Jobs Fund demonstrate our commitment to mitigate anticipated rises in unemployment by supporting the creation of high quality, secure jobs. A new inward investment strategy will be established, and attract investment and jobs into Scotland, with the potential to generate 100,000 high value jobs over the next decade.

Labour Market Evidence

The latest ONS Labour market statistics (Labour Force Survey, Jul-Sep 2020) show that COVID-19 is already impacting Scotland's young people. Compared with the year before, the unemployment rate of 16-24 year olds in Scotland rose by 4.7 percentage points, more than any other age group.

The latest quarterly changes compare Apr-Jun 2020 (the start of the pandemic) with Jul-Sep 2020. Scotland's overall employment rate estimate rose by 0.4 percentage points over the quarter to 74.0% and the unemployment rate was unchanged (4.5%). Although these rates compare well against historical trends they only present a partial picture of our labour market and the impact of COVID-19.

For example, employees on the Job Retention Scheme are defined as employed. Latest HMRC data shows the Job Retention Scheme was supporting around 7% of employees in Scotland at the end of September 2020. The claimant count in Scotland in October was 214,800, a rate of 7.7%.

This measure overstates unemployment as changes to Universal Credit mean more people in work are eligible for unemployment-related benefits, but has almost doubled since March (4.0% rate) - a rise of over 100,000 claimants.

Government Policies

Young Persons Guarantee - Committee Recommendations

The Committee notes the evidence welcoming the young person's guarantee.

There was general agreement that work placements must:

- **be of sufficient length**
- **be paid at the Living Wage, and**
- **take the specific circumstances of sectors and local economies into account.**

The Committee also highlights evidence that the young person's guarantee could be used to create 'green jobs' and asks the Scottish Government to respond to that. The Committee will continue to monitor specific proposals for the young person's guarantee as they are developed.

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The Committee notes that the young person’s guarantee builds on existing initiatives and aims to provide a guarantee to young people of employment, education or training. The Committee asks the Scottish Government to set out what additional value the scheme will add to existing provision and how this will be monitored and reported on.

The Committee notes the cost estimates provided by the FAI and asks the Scottish Government to set out detailed planned expenditure on the scheme, including plans for wage incentives.

Scottish Government Response

The Scottish Government has invested £60 million to support the delivery of a Young Person’s Guarantee. This funding is additional funding and will enhance existing support and provide more opportunities for young people. This will include:

- £30 million through local authorities to support local partnerships to deliver employability support
- £10 million directly to colleges
- £10 million additional funding for Developing the Young Workforce, the Scottish Government’s Youth Employment Strategy
- £10 million to support pre-apprenticeship activity

We have agreed the allocation and distribution of £30 million to fund local partnership activity, which will support around 8,000 young people. Effective action to deliver the Guarantee across Scotland requires an understanding of what is happening locally and in particular how different services and partners interact to offer person-centred support to young people. Local partnerships recognise the role that a range of organisations across the employability landscape play, and are committed to protecting a diverse range of provision and ensuring that the right support is put into place for those young people who will be eligible for these services.

A significant part of the funding will be for recruitment incentives, which will include supporting small and medium-sized enterprises and third sector employers to create more jobs, including apprenticeships. Other priorities will include providing additional support to wrap around Kickstart placements. This includes increasing supported employment, skills training, and mental health support.

We have also announced two new incentives to increase apprenticeships and create opportunities for young people, such as the new £15 million Apprenticeship Employer Grant. Further details on this are provided later in this response.

The high-level Activity Plan sets out the key activity to be taken forward and built upon when implementing the Guarantee, this includes ensuring alignment to our commitments around green jobs and fair work. We are clear that any job must be one that encompasses all aspects of Fair Work, and is meaningful, sustainable and underpinned by a package of training that supports the young person to transition into permanent employment.

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The Scottish Government is in the process of working with partners to develop a rigorous measurement and evaluation framework for the Guarantee. This framework will inform a thorough assessment of how the Guarantee has supported young people, identify where we have gaps in our measurement and evaluation and identify areas for improvement.

We have developed a youth labour market dashboard which we intend to start publishing on a monthly basis shortly. We will draw on existing monitoring frameworks as much as possible to both provide continuity in reporting but also to lessen the reporting burden on partners in setting out the opportunities being created and aligning our approach with the developing Shared Measurement Framework on the performance of employability services.

We will embed considerations of equalities and human rights into every element of the framework, including, where possible and appropriate, analysis of protected characteristics, to determine how accessible the Guarantee is to young people from different social and economic backgrounds.

Through Phase 1 of No One Left Behind (NOLB) each Local Authority in discussion with their local partners now determines how they will ensure the approaches used to deliver recruitment incentives in their locality best aligns with their other employability offers. Local Authorities can provide an In Work Training Allowance, which enables them to deliver support to employers and young people which are centred around supporting the needs of the person as well as taking into account a place based approach.

As part of the Young Person's Guarantee, Local Authorities will be working with local employers to promote a range of support and to determine what types of support best meets the needs of the young person and the employer. A significant part of this local partnerships funding will be used to provide recruitment incentives which will help employers support young people into work. It is for Local Partnerships to determine local needs and how they will use wage incentives to support employers.

As per the recommendation from the initial Young Person's Guarantee report, we are exploring the implementation of a model where government will pay 50% of the wages for 18 months and the SME or third sector organisation would pay the remaining 50%. Scottish Government and Local Authorities are working together to consider how this might be taken forward, and whether a national framework for recruitment incentives could be implemented. Further detail on this will be produced in the new year.

Scottish Government will work with Local Partnerships to consider next steps to support Scotland's green recovery, including the creation of good quality, green jobs, and ensuring that the work of the Guarantee aligns with the Climate Skills Action Plan. We will align this with our commitment to boosting youth employment opportunities in nature and land-based jobs by expanding apprenticeship and undergraduate schemes in public agencies, including Scottish Forestry, Forestry and Land Scotland and NatureScot.

The breakdown of the Local Authority funding can be found in **Annex A**.

Community Jobs Scotland - Committee Recommendation

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The Committee notes the evidence of the positive impact of the Community Jobs Scotland scheme and asks the Scottish Government to provide an update on plans for the scheme in the context of the current crisis.

Scottish Government Response:

Scottish Ministers have agreed to a continuation of Community Jobs Scotland for a further year (2021/22), dependent on ongoing spending review and budget discussions.

In moving forward with implementation of No One Left Behind (which will encompass the transition of CJS), we will proceed at a pace that enables us to both sustain our employability system and the support that users of that system rely upon, and also allow all partners to collectively work together on a robust plan for change, ensuring that readiness is underpinned by strong, inclusive and agile local employability partnerships which are responsive to labour market demands and challenges.

Developing the Young Workforce Committee Recommendation

The Committee notes evidence that DYW has an important role in connecting young people with employers. The Committee asks the Scottish Government to respond to evidence that the current DYW model is not suitable for certain types of businesses

Scottish Government Response

DYW Regional Groups are the conduit between employers and young people in school and work to establish meaningful and sustained partnerships to support young people experience the labour market. By working with a broad range of employers the Regional Groups can draw on the vast experience of employers.

Each DYW Regional Group is led by an employer led board which brings together the needs of their region and sectors to direct the work of the group. Each of the 21 groups are supported by a small Executive Team funded through a grant from the Scottish Government Fair Work, Employment and Skills Directorate. The DYW Regional Groups utilise Labour Market Intelligence developed by SDS when setting their strategic plans for the reporting year. The performance of the groups is measured through the national KPIs that are set each year in collaboration with the Scottish Government and the regional Executive Team. This enables each group to recognise the needs of the local labour market and support young people to understand the opportunities available to them.

The Scottish Government is committed to working with employers in the design and delivery of the Young Person's Guarantee. We have formed an employer working group to support delivery which includes members from the private, public and third sector. We will engage across different sectors and business size, particularly representing the needs of the emerging economy to support inclusive economic growth. We will ensure that the needs of the Green Economy are built into our delivery and work with employers across that sector to connect them to young people.

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We will work with employer groups and industry leadership groups across the labour market to garner their support in creating opportunities for young people as well as meeting the needs of individual employers.

The Committee notes the need for schools to be more responsive to local employers and welcomes the Scottish Government’s commitment to establish DYW co-ordinators in every school; the Committee asks the Scottish Government to set out a timescale for their deployment.

As part of the package of £60 million for the Young Person’s Guarantee, we will work with DYW Regional Groups and partners to offer more opportunities for young people to be supported. This includes the roll out of DYW School Coordinators following successful pilots in both Fife and Glasgow. DYW Regional Groups have reported that these roles will be in place in January 2021.

We will also work with specialist partners to support our renewed efforts to support those furthest away from the labour market. We will do this by supporting the training of the DYW School Coordinators specifically to raise awareness of equalities issues and working with Enable and MCR Pathways to support young people most at risk.

We will also build on the successful development of DYW Digital infrastructure including E-DYW, DYW Skills Academy and Scotland’s Big Parent’s Events. This includes additional investment in Founders4Schools.

Enterprise and Skills Strategic Board sub-group on labour market impacts Committee Recommendation

The Committee notes that ESSB has highlighted that additional resources are likely to be needed to address COVID-19 related labour market challenges. The Committee asks the Scottish Government to respond to this point.

Scottish Government Response

In response to the recommendation that we re-introduce a Transition Training Fund to support training as pathway to a job. On 16 July 2020, the Cabinet Secretary for Economy, Fair Work and Culture announced that Scottish Government is committing a further £100 million in targeted employment support and training in 20/21. £25 million will be used to develop a National Transition Training Fund for those individuals aged 25+ who need to retrain. The £25 million fund will provide short, sharp training to help mitigate the rise in Covid-19 related unemployment, by supporting individuals into growth sectors where we are most confident of a strong recovery, high demand or tangible job opportunities.

To meet demand, there will be a number of strands to the delivery of the NTTF: the first strand offers person-centred career advice, a brokerage service to identify training opportunities, and funded training: a second strand will support delivery of training projects for priority sectors; a third strand will be led by HE/FE sector.

Sectors involved in strands 2 & 3 include digital, advanced manufacturing and hospitality/tourism, as well as projects to support the rural economy.

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Committee Recommendation

The Committee notes the evidence about the impact of the pandemic on graduate recruitment and asks the Scottish and UK Governments to set out what specific policies they are pursuing to assist graduates to find quality employment. The Committee heard evidence of the value of the ScotGrad programme and asks the Scottish Government whether it has plans to roll this programme out across the country.

Scottish Government Response

ScotGrad is a graduate and student placement programme established in 2013. It was supported by Scottish Enterprise (SE), Highlands and Islands Enterprise (HIE), Skills Development Scotland (SDS), the Association of Graduate Careers Advisory Services (AGCAS) Scotland and the Scottish Government. More than 1,400 graduates were placed in the 6 years to 2019, when the programme was put on hold as part of a review by Scottish Enterprise of all their activities. It has continued in the Highlands and Islands region, part-funded by the European Regional Development Fund. Analysis of outcomes from the original project and the current economic circumstances suggest changes to the ScotGrad model are needed, accordingly, we will work with universities and employers on proposals to support increased graduate recruitment, internships and upskilling, building on previous models like Adopt an Intern and Scotgrad. Discussions with key enterprise and skills agencies are ongoing and we will look to agree the mechanism for delivery early in 2021, so we can commence the activity and have the appropriate structure in place in the current academic year, which will allow the offer of targeted support to recent and future graduates.

Universities and Enterprise Agencies have strong links with businesses to enable innovation, knowledge exchange and start-ups. They are well placed to capitalise on these employer links to support students and graduates to gain practical skills, work experience and entrepreneurial and commercial skills. Discussions have commenced with employers, offering graduate placements in sectors of the economy with high added value opportunities including manufacturing, engineering, science and technology.

Following the initial discussions, we will establish a steering group of partners from the relevant organisations which will meet in December.

Role of universities and colleges Committee Recommendation

The Committee asks the Scottish Government to set out how it will enable colleges and universities to offer educational opportunities to young people during the pandemic, including any changes to funding arrangements.

Scottish Government Response

Universities, Colleges and our education and skills system

Scotland's universities and colleges play a key role in supporting the future careers and prosperity of our young people and our economy. They are a vital part of our education and skills system, developing the skills required to drive growth, competitiveness and innovation.

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The Scottish Government will continue its ongoing commitment and support for the sector and will work with the sector, to maximise the use of their resources to continue to be, innovative, flexible and responsive to the needs of young people, employers and the economy as we develop a collective response to this crisis.

University provision

The Scottish Government and universities have increased the number of undergraduate opportunities for this academic year. We will continue to work together to consider undergraduate and postgraduate provision for the next academic year through the annual budget process and as we establish a clearer picture of the specific groups who need support.

We will also work with universities, the SFC, SAAS and other partners to explore how we can collectively support a more diverse range of provision. SG and universities have a shared aspiration that young people – and others – will be able to participate in and benefit from an increased range of short courses at undergraduate and postgraduate level to help develop specific, high-level skills for employment aligned with emerging opportunities.

College provision

The Scottish Government have allocated an additional £10 million to the Scottish Funding Council which will enable the college sector to deliver additional, shorter and more industry focused opportunities, proposals to maximise the impact of this investment are being finalised with the Scottish Funding Council and Colleges Scotland. This additional funding (which includes student support costs delivered by SAAS) will expand and flex the FE and HE offer to provide additional learning opportunities; for eligible young people who have been unable to progress to positive outcomes as a result of Covid 19, and mitigate against the lifelong negative impact that periods of inactivity early in their life will have on a person's life chances.

In particular, it will include:

- Fast Track courses to enable students, who are closer to the labour market, to gain skills and knowledge within a shorter, more focused period. These will be aligned to key sectors such as Engineering; Computing, Digital; Education and Care, providing a more rapid response to industry needs in specific areas such as Software Development, Data Skills, Cybersecurity, Engineering, Science and Care.
- Skills Academies, aimed at school leavers and young unemployed people with little or no work experience. A needs-led approach will be taken to determine how much of a skills “boost” the young people require to enable them to progress into a job or apprenticeship. Employer engagement teams within colleges will then link this to employment opportunities.

Apprenticeships - Committee Recommendation

The Committee notes that the Adopt an Apprentice scheme has been enhanced and asks the Scottish Government to provide an update on the impact of these measures after the first quarter.

The Committee is concerned about the severe impact of the pandemic on apprenticeships. The Committee urges SDS and the Scottish Government to

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examine options to incentivise employers take on and retain apprentices. Options for online work placements should also be explored, where this is feasible.

Scottish Government Response

Adopt an Apprentice

The full scale of COVID-19 on Scotland's labour market is still emerging. We have moved from a period which delivered historically low levels of unemployment and achieving our ambitious targets on youth unemployment, to a much more challenging labour market with young people already being more severely impacted by the crisis. The Young Person's Guarantee will build on that strong track record and will be used to marshal our response, working with local partnerships to respond quickly as this situation develops.

Scotland's Adopt an Apprentice programme was established to help redundant apprentices gain a new job and complete their apprenticeship by providing an incentive for employers to employ a redundant apprentice. This is complemented by regular, proactive contact with a Skills Development Scotland (SDS) careers adviser and tailored support from the individual's training provider.

The protection of existing apprentices remains an absolute priority for the Scottish Government during these uncertain times which is why we have put additional measures in place to help support business by increasing the Adopt an Apprentice payment for employers recruiting redundant apprentices from £2,000 to £5,000 from 13 October 2020 until 31 March 2021.

To help address the immediate economic situation in April 2020, the Scottish Government also extended the Adopt an Apprentice programme to include Graduate Apprenticeships, with those made redundant from 01 February 2020 being eligible.

Since the introduction of the programme, over 2,000 applications have been approved with 49 approved in the first two quarters of 2020/21. Whilst this is a significant drop in comparison to the same point last year in which 144 apprentices utilised this initiative, as apprentices are also employees, many employers have made use of the Job Retention Scheme (JRS) during the initial pandemic and we anticipate an increase in Adopt an Apprentice applications once the JRS concludes at the end of March 2021.

Please see a breakdown of the annual Adopt an Apprentice figures for the last three years below;

| Year | AAA Applications Approved |
|-------------|----------------------------------|
| 2019-20 Q4 | 227 |
| 2018-19 Q4 | 262 |
| 2017-18 Q4 | 201 |

With the full impact of redundancies for apprentices not yet known, the Job Retention Scheme offered relief to many employers and employee. SDS has confirmed the that to date 540 apprentices in Scotland have been made redundant in the first two quarters of 2020/21 and have provided a full breakdown on the number of redundant apprentices for the last three years;

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| Year | Number of Redundant Apprentices |
|------------|---------------------------------|
| 2019-20 Q4 | 398 |
| 2018-19 Q4 | 511 |
| 2017-18 Q4 | 410 |

The Scottish Government continues to do all we can to ensure that apprentices in training are protected as much as possible from the impacts of COVID-19. We are confident that the strength and resilience of the Scottish system alongside initiatives to recruit and retain apprentices, such as **Adopt an Apprentice** and the **Apprenticeship Employer Grant**, will help support the long-term future of work-based learning as many employers start to rebuild their workforce.

A clearer understanding of apprenticeship uptake and redundancies will be available when the Quarter 3 Apprenticeship statistics are released in February 2021.

SDS is working with Scottish Government and partners to ensure youth employment, training and apprenticeships are at the heart of recovery from the pandemic.

As part of support measures, we want to work with learning providers to offer additional help for apprentices who have been made redundant as a result of the economic impact of COVID-19.

Apprentice Transition Plan (ATP) service:

The Apprentice Transition Plan (ATP) service has been developed by SDS to help redundant apprentices to the next steps in their career journey. The service will be available from 1 December 2020.

SDS will work with existing Modern Apprenticeship providers to deliver this new service. Additional funding will be available to support training providers to deliver the service.

Apprenticeship Employer Grant

The protection of new and existing apprentices remains an absolute priority for the Scottish Government during these uncertain times which is why we have recently announced additional support measures for both **Pathways to Apprenticeship** and our **Apprenticeship Employer Grant**.

On the 30 November, the Scottish Government announced a new Apprenticeship Employer Grant to encourage more employers to take on Modern and Graduate apprenticeships.

The grant makes available £5,000 for employers taking on a 16 to 24 year old apprentice, and for those aged up to 29 years old who are disabled, care leavers and Minority Ethnic. Any employers who take on an apprentice aged 25 or older will receive a financial incentive of £3,500.

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Funding will be available for eligible employers where the apprenticeship start date was on or after 1 December 2020 and funding will be available for apprenticeship starts until 25 March 2021.

SDS will work in partnership with Local Government and others, under the Youth Guarantee to promote these opportunities. It is important that we continue to work with employers to encourage those who can, to create more opportunities to support young people during this difficult time.

Apprenticeships are not only valuable for those undertaking them, they are a key way for all employers to invest in their workforce, and provide the skills the economy needs both now and in the future, especially as we focus on restarting and growing Scotland's economy from COVID-19.

Pathways to Apprenticeships

We are acutely aware of the disproportionate impact that recessions can have on key priority groups and young people which is why the Scottish Government announced £60 million of funding for the Young Person's Guarantee, giving all young people aged 16 to 24 access to work, training an apprenticeship or education.

As part of the £60 million commitment to the Young Person's Guarantee, £10 million of funding was made available to support Pathway Apprenticeships which will respond to an expected gap between young people being available for work and when employers start to recruit again.

This initiative will provide work-based learning for school-leavers up to the age of 18 that is linked to an apprenticeship and will support progression into an apprenticeship. Pathway Apprenticeships will be available initially in construction, business skills, software and hardware IT, engineering and early years.

Apprenticeships and work based learning are not only valuable for those undertaking them, but they are also a way for employers to invest in their workforce and will provide the skills that the economy requires both now and in the future.

Impact on the wider labour market - Committee Recommendation

The Committee is very concerned about the impact of the pandemic on the wider labour market, especially on female workers. The Committee asks the Scottish Government to set out what policies it is pursuing to support the wider labour market, particularly women.

Scottish Government Response

Our own analysis⁴ suggests the pandemic could exacerbate existing labour market inequalities for women and highlights the potential damage the pandemic could do to women's employment and career opportunities longer term and the potential to increase both the gender employment gap and the gender pay gap in coming years. Informed by our gender pay gap action plan stakeholder group we are currently reviewing the actions within our Fairer Scotland

⁴ the [Impacts of Covid-19 on Equality in Scotland](#), Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

for Women: Gender Pay Gap Action Plan to ensure the actions are fit for purpose and will effectively support women in our economic recovery through the pandemic and beyond.

On 4 November, we launched a call for applications for a Women Returners Fund 2020. The programme aims to support women returners across Scotland who have had a career break due to childcare, other care or health commitments and have a particular intersectional focus to support women who experience multiple barriers to employment. Successful projects will commence delivery from January 2021 and offer a range of activity such as training, upskilling, peer support and work placements to support women to return to the labour market.

The Individual Training (ITA) Scheme reopened to new applicants on 1 July. We continue to work with SDS to make sure both the training available through Individual Training Accounts and the manner in which they will be delivered, reflect the very different labour market and environment we are now operating in.

The scheme is an established and important instrument in our ability to respond to Scotland's skills gaps for those both in and out of work. The programme supports individuals who are unemployed or earn £22,000 or under to access training in a number of curriculum areas to improve prospects of gaining employment or progressing in employment.

Scottish Government officials have hosted a number of meetings and consulted with both internal and external stakeholders on how best to assess the equality impacts of the scheme. The focus of these consultations was to ensure that workplace equality was considered with an ambition that opportunities were equally accessible for all to develop future skills for employment.

Flexible Workforce Development Fund (FWDF)

In announcing the re-opening of Year 4 of FWDF for 20/21, Ministers committed £13 million – an increase from previous years £10 million - to allow colleges additional support for levy paying employers. This increase for Phase 1 of the Fund is based on reported levels of demand in 19/20. Phase 1 of the programme was announced in August 2020 and is now underway.

Ministers have been clear that the remaining £7 million of the £20 million Fund should respond directly to the impact of Covid-19 to provide upskilling and reskilling opportunities to the existing workforce which many businesses will need as they adapt to a new way of working as sectors and our economy restart and recover.

Phase 2 of the programme was announced in November 2020 and is now underway.

The overarching policy objectives of the FWDF are productivity and economic growth. However, since the onset of the pandemic the direction of the Fund has changed slightly and is focused more towards strengthening the employer/employee relationship with a particular focus on upskilling the existing workforce to retain jobs and support employers as they pivot and adapt to a new and very different working environment as a result of Covid-19.

The key difference in Year 4 is that ministers have agreed a significant policy shift in FWDF eligibility rules which will see us offer support to SME non-Levy payers.

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Labour market – budget - Committee Recommendation

Given the key role of SDS in delivering programmes to people affected by the pandemic across the labour market, the Committee asks the Scottish Government to provide an update on any plan to enhance its budget.

Scottish Government Response

The Scottish Government has provided additional funding to Skills Development Scotland, as well as other organisations, to support those who have required it during the pandemic. For Apprenticeships, this includes funding for apprenticeship support measures to provide routes into apprenticeships for young people (Pathway Apprenticeships), enhanced support for redundant apprentices (increased funding for Adopt An Apprentice and new Redundant Apprentice Transition Plans) and the introduction of a new Apprenticeship Employer Grant to maximise apprenticeship starts. For individuals facing redundancy, we have increased funding for PACE (Partnership Action for Continuing Employment) and introduced a National Transition Training Fund to provide industry recognised qualifications to people aged 25+ who are at threat of redundancy or who were made redundant from 1st March, to help them gain new employment.

Officials are currently working with SDS to understand their budget requirements for 2021/22 as part of the normal spending review discussions ahead of the budget publication on 28 January 2021. As part of these discussions, officials have asked SDS to provide costs associated with specific Covid-19 response measures so that Scottish Government can understand likely costs for delivering these programmes.

Not just any job - role of procurement in incentivising the employment of young people - Committee Recommendation

The Committee asks the Scottish Government to set out how it intends to use the procurement process to promote employment and training opportunities for young people (such as a duty to employ or train young people as a condition of awarding a contract).

Scottish Government Response

The Cabinet Secretary for Finance wrote to senior leaders in the public sector in September of this year encouraging them in the continued use of community benefits. In particular, to use them to achieve opportunities for those most disadvantaged by the pandemic and specifically highlighted the importance of supporting young people, women and vulnerable groups.

We are and will continue to engage with the market and users to promote community benefits. We will provide myth-busting advice to ensure community benefits are considered on a case-by-case basis in line with organisational priorities.

Through our flagship Fair Work First policy we are continuing to ask employers to commit to adopting fair working practices helping to create workplaces where workers have greater security of pay and contract, can develop their skills and have an effective voice. Fair Work First applies to all ages of workers and we are committed to exploring how we can further ensure alignment to the Guarantee.

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We recognise that procurement spending across the public sector in Scotland presents a vital opportunity to maximise the impact of our investment to boost economic recovery and deliver sustainable and inclusive economic wellbeing.

Public procurement legislation in Scotland already imposes a statutory duty on public bodies to consider inclusive growth and local economic wellbeing through their contracts. This of course includes training and job opportunities for younger people. The annual report on procurement activity in Scotland, published in 2019, estimated that procurement spending by the Scottish public sector generates around £10 billion of economic activity in the wider Scottish economy, contributing £6 billion to Scottish Gross Domestic Product (GDP), supporting around 100,000 Full-Time Equivalent (FTE) jobs. It also indicated a ten-fold increase in the number of contract notices with community benefit requirements between 2015-16 and 2017-18, delivering thousands of targeted training and recruitment opportunities, as well as opening up opportunities for local organisations (including the supported employment sector and other social and community enterprises) in the supply chain.

We must harness the opportunity to learn from our response to the pandemic, taking an even more ambitious approach to creating an economic footprint in Scotland, building on steps taken to make it easier for small businesses to access and compete for public sector contracts (79% of suppliers awarded contracts in 2019-20 were SMEs, and 63% were SMEs located in Scotland). Maximising public money; driving access to contracts for business; jobs and training; and reflecting climate change goals, will ensure procurement activity increasingly reflects the needs of local communities in-line with the Place Principle.

The Sub-group of the Enterprise and Skills Strategic Board published its report 'Coronavirus (COVID-19): measures to mitigate the labour market impacts on 3 July. This included a recommendation that public buyers should immediately:

'build on the existing practice of considering community benefit requirements in public sector contracts, by considering use of proportionate requirements in all contracts, regardless of value and, where relevant to the contract, focus such requirements on economic recovery and tackling inequality - specifically opportunities to tackle unemployment and to protect jobs. Young people and other vulnerable groups should be a target group for support.'

Our existing policy, legislation and guidance suggests the use of community benefits in this way. To provide an impetus for action on the recommendation, the Cabinet Secretary for Finance wrote to Chief Executives across public bodies in Scotland reminding them of existing law and policy and how it may be used to benefit priority groups, such as young people.

Moving forwards, we are working with public authorities to broaden and advance the impact of the Sustainable Procurement Duty within the Procurement Reform (Scotland) Act 2014. This includes:

- working with our networks and collaborative stakeholders to maximise the contribution that public authorities make in their area through the strategic interpretation of procurement data - ensuring we continue to play our part in maximising the economic impact of public procurement in terms of Place-based approaches as one of our core broader commitments to Community Wealth Building. This includes a focus on Fair Work and delivering jobs and training through targeted community benefits;
- leveraging the full procurement rules to exploit opportunities that will support economic recovery, making it easier for local businesses to bid for and win contracts;

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- providing targeted support to enable the increased participation of local businesses, including the Third Sector; and
- progressing work to support a green recovery and our wider climate and circular economy ambitions through procurement.

We are also working with Enterprise and Economy colleagues to explore options to develop and grow local markets. Our aim is to identify industries where goods could be manufactured in Scotland and pursue opportunities to build and develop local supply chains, contributing to local jobs and the local economy.

Financial impact on young people

Committee Recommendation

The Committee notes the financial impact of the pandemic on young people and that this is affecting their education and future prospects. The Committee asks the Scottish Government to set out what policies it is pursuing to ensure that young people are financially supported during this challenging period.

Scottish Government Response

Scottish Government continue to provide the Education Maintenance Allowance (EMA), to support students to continue learning. The EMA programme aims to both encourage young people to stay on at school and also increase participation and retention in post-compulsory education. It provides financial support to 16 to 19 year-olds from low-income households who are attending school or college or are undertaking a course of non-advanced education at home or under the supervision of the education authority, such as participating in a Learning Agreement through their Local Authority. Currently, over 30, 000 school and college students receive the EMA, delivered in conjunction with local Authorities and the Scottish Funding Council. In the current financial year, we have allocated a budget of £23m on EMA activity and based on current projections we anticipate the budget will be fully expended.

In recent years we have made changes to the programme to support more young people to stay on in learning, including increasing the income eligibility threshold and making support available to part time students. We shall continue to review the EMA and ensure that financial circumstances are not a barrier to the commitment of the Young Persons Guarantee that every young person will be able to participate in an appropriate opportunity including at school and college.

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Annex A

Breakdown of Local Authority funding for the Young Person's Guarantee

| | Payment (£) |
|---------------------|-------------|
| Aberdeen City | 974,834 |
| Aberdeenshire | 1,053,306 |
| Angus | 671,427 |
| Argyll & Bute | 468,664 |
| Clackmannanshire | 398,938 |
| Dumfries & Galloway | 900,154 |
| Dundee City | 1,060,840 |
| East Ayrshire | 743,433 |
| East Dunbartonshire | 336,422 |
| East Lothian | 492,577 |
| East Renfrewshire | 381,679 |
| Edinburgh, City of | 1,904,191 |
| Na h-Eileanan Siar | 128,305 |
| Falkirk | 839,514 |
| Fife | 2,395,162 |
| Glasgow City | 4,313,725 |
| Highland | 1,165,576 |
| Inverclyde | 510,178 |
| Midlothian | 520,169 |
| Moray | 493,573 |
| North Ayrshire | 864,506 |
| North Lanarkshire | 2,162,050 |
| Orkney Islands | 114,908 |
| Perth & Kinross | 785,356 |
| Renfrewshire | 953,279 |
| Scottish Borders | 623,186 |
| Shetland Islands | 104,649 |
| South Ayrshire | 633,770 |
| South Lanarkshire | 1,654,675 |
| Stirling | 507,159 |
| West Dunbartonshire | 673,896 |
| West Lothian | 1,169,898 |
| Total | 30,000,000 |

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