

**AGER REPORT – SUMMARY PAPER - NOVEMBER 2021**

- We moved swiftly in the spring of last year to develop plans for recovery and as a first step we established an independent expert group to advise us on economic recovery priorities.
- Since March 2020, we have committed **more than £1.7bn** to drive recovery
- We are actively delivering on the 25 recommendations of the **Advisory Group on Economic Recovery** through the 118 actions identified in our **Economic Recovery Implementation Plan** and a wide range of other supporting activity.
- Recovery from COVID is a long term commitment **and even where the recommendations below are being met, the work that underpins these commitments will continue for many years to come.**
- **The work to deliver these commitments will continue** to be taken forward through the relevant recovery plans and through overarching work such as the Climate Change Plan and the developing National Strategy for Economic Transformation

The original AGER recommendations are summarised below:

**Recommendation 1 - ongoing**

***The UK and Scottish Governments should accelerate the review of the Fiscal Framework. It is vital that the overall funding approach is robust to address economic recovery and is resilient to future economic shocks.***

- Officials continue to press the importance of the Fiscal Framework Review on ministerial agendas and highlight at Four Nations fora.
- Analysis has been undertaken to explore changes to the Fiscal Framework as it stands, and will inform the SG position coming into the review.
- SG officials continue to work with HMT officials on the scope of the Independent Report, which precedes the Fiscal Framework Review.
- In parallel, The Scottish Government will continue to engage with a wide range of stakeholders to inform the Fiscal Framework Review process.

**Recommendation 2 – recommendation met**

***The UK and Scottish Governments should commit to securing significant increase in access to capital investment to support the recovery. This should maintain the Scottish Government’s commitment to a Mission to raise infrastructure investment and it is imperative that the Scottish National Investment Bank opens this year.***

- SNIB launched in November 2020 – recent PfG commits £200m towards capitalisation in 21/22.
- The Infrastructure Investment Plan 2021-22 to 2025-26 and related Capital Spending Review deliver investment plans to fully implement the National Infrastructure Mission.
- Plans to invest over £33 billion have been set out, estimated to support 45,000 jobs over the Parliamentary term, including significant investment in achieving Scotland’s net zero targets.
- Global Capital Investment Plan was launched March 2021.

**Recommendation 3 - ongoing**

***The economic development landscape in Scotland should pivot to a more distributed regional model in order to address the specific new challenges of economic recovery. This model should be tasked to drive delivery of, especially the City-Region Growth Deals.***

- Every region has a city / regional growth deal in delivery or development – with accelerated funding released to qualifying Deals during 2020/21 to speed up project delivery.
- Regional economic partnerships already established or developing in most regions to steer economic activity.
- Targeted funding provided to LAs and Enterprise Agencies to deliver COVID business support.
- £2m Regional Recovery Fund awarded to support regional economic recovery, being used by regional partners to accelerate priority Deal projects, develop Community Wealth Building work, and aid the creation of regional economic recovery strategies.

**Recommendation 4 - ongoing**

***The Scottish Government should build its professional capability to manage ownership stakes in private businesses, which are likely to arise out of the crisis. This should not require new legislation, nor a new public sector organisation.***

- There is ongoing consideration of lessons learned from public ownership stakes to date.
- A further update on the next steps of this work will be sent to the Cabinet Secretary later in the year.
- Principles on investment in private business are being incorporated into the Scottish Public Finance Manual.

**Recommendation 5 – recommendation met**

***Banks should develop new instruments to enable the strategic incubation of otherwise viable and strategically important companies to ensure they are protected during the recovery phase. The Scottish Government should use its convening power to co-ordinate approaches to different sectors of the economy, in close liaison with financial services institutions, sectoral organisations and the enterprise bodies.***

- We continue to implement the *Financing Scotland's Recovery* recommendations, adapting our approach to the latest business intelligence and market conditions.
- A reconvened FISAB with a more targeted membership and an action-driven agenda will include issues discussed in the Banking and Economy Forum and will drive both the sector's support for economic recovery and the growth and competitiveness of the sector itself.
- Through SFE's industry-led strategy, we have commitments from the sector to collaborate to develop innovative financing models to align investment with businesses and sectors which can provide sustained economic growth. The *Banking Barometer* provides the foundation for monthly (Mr McKee) and quarterly (Ms Forbes) discussions with SFE, addressing topics of economy-wide and strategic sectoral concern.

**Recommendation 6 – recommendation met**

***Scottish Enterprise and VisitScotland, with the support and active engagement of the Scottish Government, must develop a strong and bold prospectus for Scotland on available investment opportunities, recognising the substantial, twin shocks of the pandemic and leaving the European Union. This will require a focus on opportunity areas and deployment of its international presence to maximum effect.***

- Inward Investment Plan launched in October 2020 with an 18 point action plan focussed on Values (Fair Work, Digitalisation, Net Zero); sustainable spill-over benefits as well as jobs; and building on 9 future-ready opportunity areas reflecting strengths across all our regions.
- The Global Capital Investment Plan, published in March 2021, sets out five priority areas – (i) Leading with our values: Net Zero and ESG, (ii) Building the pipeline, (iii) Right regulation right incentives, (iv) Working in partnership with the markets and, (v) Mobilising our global networks – which contain a series of actions (30), to help us deliver on our ambitions.
- The Brand Scotland Business Pillar has been established and the Think Different Think Scotland campaign launched to raise awareness of Scotland's business potential internationally. A Trade promotion toolkit was launched in April 2021.

**Recommendation 7 - ongoing**

***The Scottish Government and the business community should take urgent action to develop a new collaborative partnership on the strategy for Scotland's economic recovery.***

- Collaboratively developing a Partnership Principles Agreement, working with the main business organisations to deliver a partnership that will be central to Scotland's economic transformation
- Significant work has taken place and relationships built through COVID business support and strategic framework development activity with regular meetings with the main non-sectoral business organisations and DG Economy.
- A number of sectoral recovery plans have been published in conjunction with ILGs.

- Roundtable of Industry Leadership Group Chairs, led by Mr McKee exploring opportunities for cross-sectoral collaboration and also enhancing industry-public sector joint working. Ongoing engagement is focused on ensuring sectoral input to 10 Year Transformation Strategy.

**Recommendation 8 - ongoing**

***The Scottish Government, regulatory bodies and local authorities should review their key policy, planning and consenting frameworks, especially for key infrastructure investments such as marine renewables, to accelerate projects.***

- We will continue to review our energy consenting processes, making further improvements and efficiencies where possible - seeking to reduce determination timescales for complex electricity generation and network infrastructure applications. Faster determinations will enable any projects awarded consent to develop more quickly, which will benefit onshore wind in particular.
- Significant related development taking place within policy-specific legislation such as the Heat Networks bill and in SG policy such as the Climate Change Plan update. etc.
- Energy Consents Unit continuing to determine applications for generating stations and grid networks, when granted consent, 600 Megawatts of onshore wind renewable energy developments were consented in the year to July 2021.

**Recommendation 9 - ongoing**

***The Scottish Government should deploy its expanding tax powers and business support interventions to enable economic recovery. This should include targeted use of rates relief to incentivise economic recovery and greater use of conditionality in business support, building on the experience of the Business Pledge and Fair Work First.***

- Fair Work First Guidance agreed with Fair Work Convention & stakeholders and published in Jan '21 and was updated in September 2021.
- The roll-out of Fair Work First is progressing across the public sector, including in local government, the NHS and police service.
- Woman Returners programme and Workplace Equality Fund both funded for 2021-2022
- New criteria now included in Fair Work First to support flexible & family friendly working and oppose unfair fire & rehire practice - Manifesto 100 Days commitment.
- The use of Fair Work First conditionality will be considered in the consultation on Scotland as a Fair Work Nation, which runs until the 23<sup>rd</sup> December,

**Recommendation 10 - ongoing**

***The UK and Scottish Governments should mobilise investment in Scotland's digital infrastructure, covering broadband and mobile networks, to build resilience and enhance exports.***

- Digital Strategy, 5G strategy and Logan review published setting out plans and recommendations on taking this recommendation forward. Updated Digital Strategy was published March 2021.
- Delivery of a network of 5G Innovation Hubs (through the Scotland 5G Centre) will give our SMEs the skills they need to embrace 5G as a business enabler.
- Global Capital Investment Plan identifies Digital as a key priority sector
- Key aim to establish Scotland as an attractive location for green data centres.
- Working with the private sector to improve international data connections for Scotland and stimulate investment in to support the growth of a green and resilient digital economy.

**Recommendation 11 – recommendation met**

***The Green economic recovery is central to recovery overall. The Scottish Government now needs to establish a priority on delivering transformational change with clear sector plans, where the coincidence of emissions reductions, the development of natural capital and job creation are the strongest.***

- Plans in place for a green economic recovery alongside an ambitious investment programme.
- Updated Climate Change Plan published in March 2021
- Just transition principles are being considered across a range of policy areas.
- Work ongoing to leverage private and UK funding to green recovery activity.

- Energy Task Force established with the remit of unlocking investment in the energy sector. This is aligned with the work Skills Development Scotland (SDS) are leading for the energy working group of the Climate Emergency Skills Action Plan (CESAP). We are also working with Strategic Leadership Groups (SLGs) on supply chain issues and actions.

**Recommendation 12 - recommendation met**

***The financial services sector and the Scottish Government should develop and promote nature-based investments to protect and enhance Scotland's natural capital. This should include the development of financial solutions to fund forestry and other nature – based solutions, including agriculture, and should be accompanied by the development of a Scottish Natural Capital Census.***

- The Financing Recovery paper sets out an approach to begin to address these issues
- Fora such as the reconvened FiSaB are crucial to engaging financial institutions
- Natural capital census work, woodland creation and peatland restoration is positive. Scotland's latest Natural Capital Accounts were published in June 2021.
- A blended public/private approach to financing nature-based solutions can facilitate further investment, overcoming risk and other barriers, and leveraging additional private capital.
- First tranche of 10 projects of the Green Investment Portfolio with £1.16 billion of investment potential were released last September - a pipeline of future projects is in development.

**Recommendation 13 – recommendation met**

***The tourism and hospitality industries should work in partnership with the Scottish Government to develop a sustainable future strategy; the Scottish Government should consider a targeted reduction in business rates to support the sectors' recovery; and it should press the UK Government to consider a reduction in VAT for the sectors.***

- Tourism Recovery taskforce recommendations published
- Funding announced to support taskforce in December and February
- 100% NDR relief provided to leisure and hospitality businesses. Ongoing SG sectoral support.
- Phase 2 of the tourism recovery work included in the recent PFG.
- We continue to press the UKG on the VAT issue through ministerial engagement.

**Recommendation 14 – recommendation met**

***Given the contribution of the arts, culture and creative sector to Scotland's economy and its social capital, and the nature of its workforce, the Scottish Government should protect and adapt strategically important cultural infrastructure, should work with the sector to increase public and private investment; and should consider the creation of a National Arts Force.***

- The Culture Collective programme (created in response to the National Arts force recommendation) is providing funding and support for the sector (£6m in FY 2021/2022).
- Significant targeted business support funding provided for the sector to date, with longer term needs being identified.
- Opportunities to create strategic linkages with other government portfolios, particularly health, education and climate change are being developed by National Partnership for Culture and pursued by officials.
- The manifesto commitment to a "Percentage for the Arts" scheme will create a requirement for a percentage of the overall cost of a construction project for new public buildings, places or spaces to be spent on community art commissions. This will create significant additional support for the sector.

**Recommendation 15 - ongoing**

***The Scottish Government should accelerate its work on reforming adult social care; and should urgently review the structure, funding and regulation of the sector to ensure its sustainability and quality going forward. The review should address workforce issues, including the Fair Work Convention's 2019 report on the sector; and should recognise and support the contribution of unpaid carers.***

- The adult social care review was published in September 2020.

- The consultation on a National Care Service (NCS) around the delivery of care and to improve standards in the sector closed earlier this month.
- The NCS consultation covers pay, security of employment contracts, training, and development
- A commitment to increase public investment in social care by 25% over the Parliamentary session - so that by the end of this Parliament, we would have budgeted over £800 million of increased annual support for social care compared to current spending.  
This year, the Scottish Government has provided funding of £64.5 million to deliver the Real Living Wage commitment to ensure at least £9.50 per hour for direct social care staff.

**Recommendation 16 – recommendation met**

***The Scottish Government should take immediate action to protect the capacity and financial sustainability of the third sector, in recognition of its important role in building and strengthening social capital. It should examine the scope for longer-term funding arrangements for services; more flexible and collaborative approaches to procurement; and new ways to incentivise private investment in the sector.***

- The Adapt & Thrive strand of the Community and Third Sector Recovery Programme closed to applications having made 811 Awards totalling over £26m with 2,127 organisations going through the business support triage process.
- Third Sector Growth Fund launched invests £30m in FTs in small 3<sup>rd</sup> sector businesses. It is designed to respond to a need for third sector organisations to access loans to help grow and explore new forms of social investment and finance. **The Circular Economy Fund and the Long Term Third Sector Finance Fund are worth £10 million. The Social Impact Venture Portfolio, worth £5 million.** The Funds are being delivered by Social Investment Scotland.
- **The Social Catalyst fund**, which totals £15 million, is open to applications.
- The delivery plan is in place and active for No One Left Behind, our collective approach to delivering an employability system which is flexible, joined up and responsive.

**Recommendation 17 – ongoing**

***The Scottish Government should support a renewed focus on place-based initiatives, building on the lessons from initiatives on Community Wealth-Building. It should accelerate investment in housing, through the Scottish National Investment Bank.***

- £325m place-based investment programme established.
- £50 million Vacant and Derelict Land Investment Programme scheduled over the next five years.
- Town centre review published and City centres taskforce established this year.
- Delivery of the National Islands Plan is backed with £30 million of Investment support over the next 5 years as set out in the recent PfG
- CWB programme in place with action plans being delivered in the pilot LAs and regions.
- Officials are working on a package of proposals to help accelerate delivery of action plan commitments, and drive capacity and capability to implement the CWB model across Scotland.
- CWB Communities of Practice work ongoing via SG funding to EDAS to share learning and practice, discuss common problems and identify solutions and inform national policy.
- CWB working group with representation from across SG established to support implementation.
- The Housing to 2040 Strategy was published in March 2021 and setting out a vision for housing in Scotland and route map to get there - it also commits to working with the Scottish National Investment Bank to achieve this vision.

**Recommendation 18 - ongoing**

***The Scottish Government and local authorities should assess the impact of learning loss and ensure that pupils are fully supported as pupils return to learning in schools, in order to mitigate the risk of reduced educational attainment, particularly among disadvantaged groups.***

- Additional resource funding committed for teachers, staff and equipment.
- Young Person's Guarantee, support for apprenticeships and other employability activity in place.
- Rollout of Developing the Young Workforce School Coordinators – all now recruited, which will enhance employer-education engagement; particularly in the senior phase and with a focus on those furthest away from the labour market.

## OFFICIAL SENSITIVE

- Extension announced to free school meals - providing free school meals to all Primary 4s from August 2021 and Primary 5s by January.
- Continued delivery of the Scottish Attainment Challenge (SAC), augmented by a £20 million Pupil Equity Funding Premium to further support schools with education recovery and efforts to mitigate the poverty-related attainment gap. Over £200m to be invested in SAC this year.
- Investment of almost £400 million over 2020/21 and 2021/22 to support education recovery.

### **Recommendation 19 - ongoing**

***The business community should work with the Scottish Government and the enterprise bodies to accelerate the embedding of Fair Work principles, in context of changes to the workplace and to working patterns. This could cover the shift in experience and attitude to flexible and home working which has been accelerated by the pandemic, and the concerns about precarious and “gig economy” work.***

- Public consultation on the vision for Scotland to be a Fair Work Nation, seeking views on the priorities for Fair Work to 2025 and beyond - runs until the 23<sup>rd</sup> December.
- Fair Work First Guidance agreed; Fair Work Action plan & Annual Report 2021 published.
- Criteria supporting flexible & family friendly working to be included in Fair Work First (part of Manifesto 100 Days commitment) and guidance and good practice standards to be provided.
- Up to £25,000 of funding being provided to Scottish Enterprise to enhance the Fair Work Employer Support Tool to support micro businesses and those working in the gig economy, and to reflect evolving Fair Work First criteria.
- Gender Pay Gap Action Plan published. A Fairer Scotland for Disabled People: Employment Action Plan published.
- New National Living Hours Accreditation Scheme for employers includes: payment of the real Living Wage; a guaranteed minimum of 16 hours' work a week and 4 weeks' notice of shifts, with payment for shifts cancelled within this period.

### **Recommendation 20 - ongoing**

***The Scottish Government should refocus its skills strategies to address the risks of unemployment, recognising the importance of high participation sectors, and of improving the provision of lifelong learning to enable people to reskill.***

- Skills support and investment has been central to our economic recovery plans, particularly through the Young Person's Guarantee and the National Transition Training Fund.
- Continued investment through NTTF in 2021/22 towards key sectors and focus widened to support sectors to recover, mitigate the impacts of EU Exit and support skills transitions in line with economic transformations, including to Net Zero.
- As well as support for those at risk of unemployment we recognise there is an emerging need for a targeted, strategic approach to investment in adult upskilling and in-work learning to support economic transformations, address skills gaps and shortages and ensure that people have access to support at every stage in their career.
- In particular, we aim to evaluate the performance of our skills interventions to assess how we can simplify and strengthen our lifelong learning offer to ensure every adult in Scotland who needs it, has access to funding to support skills development.

### **Recommendation 21 - ongoing**

***The Scottish Funding Council and the Scottish Government should protect universities and colleges from the financial impact of the crisis, so that they can maintain and enhance their role as “anchor institutions” and take decisive steps to align their teaching and learning provision, including postgraduate skills training, to meet business and employer needs; and to focus their support for research investment and growth.***

- Significant financial support has been allocated to colleges and universities.
- The third and final phase of the SFC review into sustainability in the sector was published on in June 2021. A number of recommendations in the review relate to skills, employer needs, research investment and growth, and a response to the review was published in October.

### **Recommendation 22 - ongoing**

<p><b>Skills Development Scotland and the Scottish Funding Council should collaborate with colleges, universities and businesses to prioritise apprenticeship training; and should respond to youth unemployment with a flexible learning response. This should include further development of Graduate Apprenticeships and online learning.</b></p>
<ul style="list-style-type: none"> <li>• £15 million was invested in an Apprentice Employer Grant from December 2020 to March 2021 to boost apprentice recruitment supporting 2,330 employers and 3,876 apprentices. From April 2021, an Employer Recruitment Incentive Framework is now in place providing a minimum national offer for recruitment incentives across all Local Authorities.</li> <li>• There is a manifesto commitment to work back up to 30,000 apprenticeships as we exit COVID and then assess demand for additional provision.</li> <li>• Additional funding has been allocated to support up to 5,000 Foundation Apprenticeships and 1,370 Graduate Apprenticeship opportunities in 2021/22 through the SFC. SDS and the SFC are continuing to work together on a sustainable funding and operational delivery model from AY 2021/22.</li> <li>• £10m investment was committed through the Young Person’s Guarantee in 2020/21 and again in 2021/22 to support flexible short, sector specific college course, providing up to 5,000 additional opportunities in each year.</li> <li>• In addition, up to £20m has been committed so far in 2021/22 through the NTTf to support more flexible provision for upskilling and retraining for those aged 25+.</li> </ul>

<p><b>Recommendation 23 - recommendation met</b>  <b>The business community, with the support of the Scottish Government and in partnership with local authorities, should mobilise urgently to develop a business-led Scottish Jobs Guarantee scheme. This would respond to the likely increase in unemployment among young people and the serious, generational challenge that this represents for our country.</b></p>
<ul style="list-style-type: none"> <li>• The Young Person’s Guarantee (YPG) launched in November 2020, backed by £60 million of investment for 2020/21, to support its creation of c18k additional and enhanced opportunities for young people. A further £70 million has been invested in the Guarantee in 2021/22 to support:             <ul style="list-style-type: none"> <li>• local partnerships to provide training and employer recruitment incentives;</li> <li>• colleges to deliver around 5,000 more short, industry-focussed courses;</li> <li>• continued rollout of School Coordinators through Developing the Young Workforce; and,</li> <li>• new graduate internship scheme, increased volunteering capacity &amp; 3<sup>rd</sup> sector programmes.</li> </ul> </li> <li>• An Equalities Action plan was published to support the delivery of the Guarantee.</li> </ul>

<p><b>Recommendation 24 - ongoing</b>  <b>To promote an approach to economic policy that values all of Scotland’s assets, the Scottish Government should consider adopting a Four Pillars framework in forming its future economic strategy, and reporting against it.</b></p>
<ul style="list-style-type: none"> <li>• The principles of the 4 pillars approach have been accepted.</li> <li>• SG are developing a Wellbeing Economy Monitor to monitor our vision to deliver sustainable and inclusive growth across Scotland. The monitor will not only guide economic policy but will also identify barriers to wellbeing and integrate a four capitals approach to make sure that sustainability (environmental, economic, human and social) is embedded.</li> </ul>

<p><b>Recommendation 25 – recommendation met</b>  <b>To create momentum and build confidence, the Scottish Government should set out its response to the proposals in our report by the end of July, and should publish regular updates on its recovery plan.</b></p>
<ul style="list-style-type: none"> <li>• COMPLETE</li> </ul>

<p><b>Recommendation 26 - ongoing (additional recommendation)</b>  <b>The Scottish Government recognises the necessity of embedding an Equalities and Human Rights approach across our policy thinking and development for economic recovery and renewal. Although not an explicit recommendation, we consider this to be sufficiently important to warrant an explicit commitment as part of our response.</b></p>
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## OFFICIAL SENSITIVE

- Consideration is being given to how equality and human rights are embedded in the National Strategy for Economic Transformation and wider work on building a wellbeing economy in Scotland.
- An Equality and Human Rights Mainstreaming Strategy is under development, with intended areas of action including capacity building and better use of equality data.