

CBI

SEIZING OPPORTUNITIES

CBI Scotland Programme for Government
Submission 2024



Contents

Introduction	Page 3
Competitive Business Environment	Page 4
Scotland's Green Growth Opportunities	Page 8
Labour Market and Productivity	Page 15
Infrastructure and Connectivity	Page 21
References	Page 25

Introduction

With less than two years until the next Scottish Parliament election, there is a growing consensus among businesses and politicians on the importance of delivering a credible plan for growing Scotland's economy.

Scotland boasts numerous strategic advantages: it is the energy powerhouse of the UK, with natural resources that are the envy of the world; it has the best-educated workforce of the UK; and it is home to two green freeports.

However, more must be done to fully unleash Scotland's potential and achieve long-term sustainable growth. This growth is essential for enhancing life opportunities, funding public services, and achieving shared policy priorities.

Addressing Scotland's productivity problem is the starting point. CBI Scotland's Productivity Index indicates that, despite some positive short-term shifts, significant challenges remain. To unlock Scotland's full growth potential, we must urgently address these issues.

The most effective way forward is to create an environment that encourages business investment, fosters sustainable growth, and positions Scotland on the global stage. Working with members and Trade Associations across the Scottish economy, the CBI has identified four key areas for government prioritisation: building a competitive business environment, realising green growth opportunities, futureproofing the labour market, and evolving infrastructure and connectivity.

Achieving these goals will require close collaboration between Holyrood, the new government in Westminster and the business community. The UK election presents an opportunity to reset this relationship, as a strong partnership is crucial for achieving sustainable growth. Past successes, such as the development of green freeports like Cromarty Firth, demonstrate the potential of such collaborations.

The Scottish Government's 'New Deal for Business' must serve as the foundation of an effective partnership between government and business, creating a clear and stable policy environment to foster economic growth for the benefit of all.

For too long, Scotland's potential has been merely talked about; now is the time for decisive action. Failing to accelerate efforts, will diminish this potential, especially as the 2045 net zero target approaches.

Building a Competitive Business Environment

We must go further and faster to create the most competitive business environment that fuels sustainable growth and repositions Scotland on the global stage. With business investment falling across the country¹, the Scottish Government should look to provide firms with policy stability and the confidence to unlock trapped investments. And while Scotland has a good reputation as a destination for FDI², there's no room for complacency. To maintain this status, Scotland must build a supportive and stable policy environment that continues to demonstrate beyond doubt that Scotland is open for business. Only by doing so can Scotland boost competitiveness and grow the economy, contributing to our wider social and environmental goals and meeting our public spending needs of tomorrow.

Deliver an investment-focused tax regime with stability at its heart

The new Tax Strategy should focus on Scotland's attractiveness to live and work

- With a new tax strategy due to be published alongside the 2025-26 Scottish Budget, it's an opportunity for the Scottish Government to set out a long-term tax strategy that prioritises economic growth over short-term revenue raising measures. The Strategy should focus on the principles of certainty, simplicity, proportionality, and international competitiveness – as outlined in the CBI's Business Tax Roadmap³.
- A competitive tax regime for the long-term should avoid any further income tax divergence with the rest of the UK, supporting businesses in attracting talent to live and work in Scotland. In addition, the Government should commission an independent review to determine how tax changes and wider divergence is impacting growth and Scotland's proposition as an investment destination. Anecdotal feedback from CBI members suggests that Scotland's higher tax rates are making it more difficult and more expensive to hire staff from elsewhere in the UK. This is a cause for concern given Scotland's demographic trajectory and need for specialist skills in growing industries such as the green economy.

Reduce the cumulative cost of business through business rates reform

- Business rates remain one of the biggest fixed costs facing property-based companies. The Scottish Government should maintain a focus on the changes it committed to in the Barclay Review, with the objectives of simplifying the system for ratepayers, restoring parity rates with England, and using the system to attract wider investment in the Scottish economy.
- To do so, it's important for the Scottish Government to uphold the SNP manifesto and the Framework for Tax commitment by aligning the Higher Property Rate with that of England⁴. This will ensure that Scottish businesses are not placed at a competitive disadvantage – as they are currently - and will send a strong signal that Scotland is open for business.

- The Scottish Government's decision not to extend the business rates freeze to premises liable for the Intermediate Property Rate and Higher Property Rate means over 20,000 commercial premises have faced a 6.7% rise in rates since April, significantly above CPI inflation and the largest yearly rise since 1999. Now, the introduction of a new Business Rates Surtax on Shops/Public Health Supplements further threatens Scotland's high streets and town centres, adds significantly to the cost of doing business, and is at odds with the principles of the Barclay Review and the Scottish Government's pledge to use the business rates system to boost investment. This decision should be reversed.

Work with business to drive trade and inward investment

Work in partnership with Westminster to boost Scottish exports

- International markets are a crucial source of growth. Both the public and private sector have an essential role to play to maximise Scottish exports, though many firms struggle to take their first steps into overseas markets. The Scottish Government should continue to work closely with Westminster to review the export support offer for companies, particularly SMEs.
- The Scottish Government should also explore new levers to incentivise exports, including setting up joint working groups with the Department for Business and Trade, HM Treasury, industry bodies and business. By working together both governments can explore new or growing opportunities for exports, but also protect existing export levers and maintain market share. Any future UK industrial strategy provides policy and partnership opportunities to drive this agenda further.
- Maximising trade missions and funding for trade shows, with a particular focus on countries with new Free Trade Agreements with the UK, will further help companies in Scotland identify and exploit opportunities in new markets.

Facilitate a domestic policy environment that encourages inward investment

- While considered a good place to invest currently, changes to the domestic policy landscape will improve Scotland's attractiveness further. When developing any new policy, the Scottish Government should update the Business Regulatory Impact Assessment (BRIA) criteria to consider the wider effects on international competitiveness.
- Building on the Scottish Government's focus on also reviewing the regulatory landscape to create an enabling environment for investment projects. Particular focus should be given to securing planning permission and grid connections, as well as mapping local skills and supply chain strength and weaknesses. Utilising these devolved powers – such as speeding up planning processes – would help to give Scotland a competitive advantage by making it the fastest place in GB/Europe to develop critical low-carbon projects.
- There have been some great success stories highlighting Scotland's ability to attract foreign investment to support green initiatives and technologies. In particular, the Scottish Government should look to learn from the success of

examples such as Ardersair Port and Sumitomo Electric's Power Cable Factory as a model for further investment in green infrastructure across Scotland.

- The Scottish Government should double down on the opportunity areas identified, such as the global provision of digital services. This requires scaling up investment to increase the number of people equipped with advanced digital skills to at least 10,000. In addition, universities' global connectivity and collaborations provide a competitive advantage that needs to be leveraged further to promote Scotland internationally and drive inward investment.

Showcase Scotland's strengths as an investment destination

- As outlined in the Harrington Review, the Scottish and UK Government should be better connected and work more closely on investment promotion, particularly on creating globally competitive, investment ready propositions. As part of these efforts, the Scottish Government should pitch for the UK's Global Investment Summit to take place in Scotland, following the example set in Northern Ireland, to showcase Scotland and the UK's strong investment proposition.
- Continuing to involve business in 'showcase sessions' with potential investors would help improve Scotland's attractiveness by demonstrating peer support, providing honest testimonials, and presenting a joined-up message from government and business to firms that are considering Scotland as a destination for investment.
- Scotland has rich data sets that includes public sector data about people, places, health and businesses. By making that data available to both the public and private sectors, innovative solutions can be developed from health care, transport, to decarbonisation. National open datasets also attract inward investment and entrepreneurial activity to the benefit of the Scottish economy.
- Research Data Scotland (RDS) is potentially a powerful entity that could stimulate growth for Scotland's economy. The current RDS mandate should be expanded to better support entrepreneurial activity and private sector investment in Scotland, including better business representation on the Board to better develop the business proposition.

Key Recommendations

Deliver an investment-focused tax regime:

- Commit to avoiding further income tax divergence from the rest of the UK and commission an independent review evaluating the extent to which income tax divergence has impacted Scottish competitiveness.
- Maintain a focus on the principles outlined in the Barclay Review to drive decisions concerning business rates. Reverse the decision to introduce a business rates surtax for certain larger retailers.
- Continue to uphold the New Deal for Business principles – with ‘no surprises’ and the involvement of business at the inception of policy development that will increase costs/have an impact on business.

Drive trade and inward investment:

- Establish joint working groups with HMT, the Department for Business and Trade, and industry bodies to review the effectiveness of the current export support offer for SMEs and explore new or growing opportunities for exports.
- Maximise funding for trade shows to ensure effective deployment of overseas government missions.
- Update the Business and Regulatory Impact Assessment (BRIA) to consider the wider effects of new policy on international competitiveness.
- Review the enabling environment for projects to attract investors, with a particular focus on planning permission, availability of local skills and supply chain strength and weaknesses.
- Work more closely with the UK Government on investment promotion, specifically on creating globally competitive, investment ready propositions. Pitch for the UK’s Global Investment Summit to take place in Scotland to showcase Scotland and the UK’s strong investment proposition.

Realising Scotland's Green Growth Opportunities

Scotland is a leader in the transition to net zero, with an array of strategic advantages that can be seized as green growth opportunities. We've already seen Scotland leading in areas such as offshore wind and carbon capture utilisation and storage (CCUS) – through projects such as ScotWind and the Acorn Cluster. But there are plenty more opportunities to be seized – with CBI estimates suggesting that green growth prizes could offer a potential £37bn – 57bn boost to UK GDP in 2030⁵. To get there we need to break down the barriers – grid connection delays, complexity in the planning system and access to skills are frequently cited as key barriers holding back progress. Tackling these issues with a clear strategy and action plan, backed up by supportive regulation and financial incentives will enable Scotland to be a leader in renewable and low-carbon energy and seize the green growth opportunities in front of us.

Take a 'whole system' approach to delivering a net zero economy

Publish the delayed climate strategies including the Green Industrial Strategy as soon as possible to provide clarity to businesses and send positive signals to investors

- To ensure Scotland can fully capitalise on the opportunities presented by the transition to a green economy and to give businesses and investors certainty and clarity over policy direction, the Scottish Government must urgently publish key climate documents that have been delayed, including the Climate Change Plan, Green Industrial Strategy and the Energy Strategy and Just Transition Plan. To ensure these documents are effective delivery tools, they should have aligning objectives and include detailed action plans.
- Businesses strongly support the Scottish Government's vision for a Green Industrial Strategy. To render it effective in mobilising investments in projects and supply chains and to expedite delivery, three critical pillars must be firmly in place:
 1. Clarity and long-term stability in policy environment: a clear and stable long-term policy environment is vital to bolster business confidence.
 2. Comprehensive and competitive incentives for private investment: robust incentives as required to encourage private investment in the green economy, making it a competitive choice
 3. Efficient and coordinated delivery mechanisms: streamlined and well-coordinated delivery mechanisms are essential for expeditiously operationalising projects.

Long-standing barriers within the planning system must be addressed for the aims of NPF4 to be implemented on the ground

- Recognition that planning is a key enabler for Scotland's economic, social, and net-zero commitments is crucial. The National Planning Framework 4 (NPF4) represents a significant and positive step forward by putting climate change at the

heart of decision making. CBI members were pleased to see the Scottish Government's commitment to halving consenting times for new section 36 wind farm, in a sector deal with the onshore wind industry, and plans for offshore wind consenting within Scotland's Hydrogen Plan.

- However, action is needed to turn statements into reality and long-standing barriers within the system must be addressed to achieve the aims of NPF4 and create a supportive environment for investment and development.
- Addressing the challenges in the planning system requires a multifaceted approach and will not be resolved simply by raising fee income.



Unblocking Scotland's Planning System

Resourcing the Planning System

- Regular, consistent funding is needed to support planning services. Importantly, any future fee rises should deliver ringfenced funding to all local authorities to build additional capacity and capabilities for processing the growing volume of energy applications in the full spirit of the NPF4.
- Address the shortage of planners by attracting more talent to the profession, including greater government support for planning education and entry points into the profession.

Streamlining and Accelerating Planning

- Local Planning Hubs should be introduced at pace to help mitigate the capacity issues within Scotland's planning authorities. Until they're established, planning authorities could consider joint appointments with neighbouring authorities, or utilise DPEA Reporters and retired planners to expedite major planning decisions.
- The Scottish Government should collaborate with statutory consultees to provide additional guidance within NPF4 on the level of detail required to support applications and increase consistency across planning authorities. In addition, coordination of planning and other consenting regimes within a single gateway for applications within a Council must be pursued.
- Limit PLI's time and scope to ensure timely decisions within 12 months of submissions.

Prioritise Strategic Planning to Deliver Growth

- Work with the UK Government to create an effective planning system to deliver large scale nationally significant infrastructure projects, such as offshore wind and CCUS. Businesses were pleased to hear the UK government committing to tackle the planning process that is holding back critical investments in the Chancellor's first post-election speech.
- To do so, the CBI is calling for the UK Government to introduce an 'overarching strategy' for planning, making Local Planning Authorities agents of growth and working closely with the devolved nations to provide cohesion and consistency across the planning system.

Build on the progress made towards decarbonising Scotland's transport, buildings and business operations

Fast track planning and funding to accelerate electric vehicle charging infrastructure expansion

- Positively, the provision of public charge points is currently on track with the CCC pathway, however, installation will need to ramp up to meet future targets⁶. A further rapid expansion and acceleration of electric vehicle charging infrastructure therefore needs to be delivered, requiring fast-track planning and funding. To do so businesses support the Climate Change Committee's recommendation for the Scottish Government to develop an implementation plan to deliver on their vision for the public EV charging network⁷.
- More direction and action are needed to build the energy infrastructure needed to drive decarbonisation in the logistics sector. The Scottish Government should look to the findings of Transport Scotland's HGV Decarbonisation: Pathway for Scotland report as an example of the action needed in the sector. This should start with publishing a public-private roadmap for logistics decarbonisation, considering long distance and last mile journeys and focusing investment on energy infrastructure, low carbon fuel production and modal shift.

Concern around supply chain capabilities must be addressed for businesses to have confidence in meeting the targets outlined in the Heat in Buildings Bill

- The Scottish Government's Heat in Buildings Bill has a bold ambition to make homes and buildings cleaner, greener, and easier to heat. Retrofitting all residential and non-residential buildings with a higher standard of energy efficiency and laying the foundations for low-carbon heating would make a significant contribution to Scotland's Net Zero target and deliver energy savings for households and businesses.
- Businesses agree with the overall ambition of the Bill to decarbonise heating systems in all buildings by 2045. However, there are reservations about the ability to meet the interim targets set for 2028 and 2033, driven by concerns around availability of skills, access to technologies, and weaknesses in the supply chain. These gaps are already causing concern and uncertainty for building owners and investors. Further clarity including an action plan outlining how these concerns will be alleviated – particularly around the capacity and capability of supply chains to meet the scale of demand - will help to give more certainty and enable investments to support the development and deployment of energy efficiency technologies.
- Any policies should also factor in the UK Government's incentives and regulations to drive improvement in energy efficiency, such as the development for a clean heat market mechanism and the Great British Insulation Scheme. Meanwhile the work of the Energy Efficiency Taskforce can also help to quickly identify barriers and opportunities in driving demand and solutions for initiatives needed on energy efficiency and clean heat deployment for Scotland.

Utilise the Non-Domestic Rates system to accelerate and incentivise progress in decarbonising buildings

- Rates relief should be seen as a tool to incentivise action and investment in key net-zero policy priorities – such as the need to accelerate progress in decarbonising buildings. For example, rate relief for investments that improve a property's energy efficiency and excluding low carbon technologies, such as solar panels, wind power and heat pumps.

Reinstate the Scottish Industrial Energy Transformation Fund

- The Scottish Industrial Energy Transformation Fund was a vital part of Scotland's efforts to meet climate change targets and promote sustainable growth, helping energy-intensive industries in Scotland reduce their energy costs and emissions. With the latest round of funding live in England, Wales and Northern Ireland, the Scottish Government should urgently reinstate the Fund to ensure decarbonisation efforts amongst Scottish manufacturers do not fall behind the rest of the UK.

Collaborate and co-ordinate with the UK Government on reserved policy matters that will help drive Scotland's transition

Expedite the construction of electricity transmission infrastructure and streamline the grid connection process

- The delays and high costs associated with securing new connections to the UK grid are cited by businesses across all sectors of the economy as a significant barrier to net zero investment. Grid connections are not only a problem for the delivery of a fully decarbonised electricity system and the necessary deployment of renewables, but a critical issue for businesses who are seeking to decarbonise their operations.
- As a reserved matter, at the UK level, the CBI is calling to ensure that the National Energy Systems Operator (NESO) is sufficiently resourced to strategically manage new grid connection processes and hold delivery partners – as outlined in the Transmission Action Plan, accountable for building-out the UK's transmission network in line with its 2030 action plan.
- At the same time, the Scottish Government should consider the actions it can also take to coordinate and secure investment in the electricity grid at the local level, particularly to support the connection of low carbon technologies like heat pumps and electric vehicle chargers. While efforts have been made, there are concerns with the connection process, including the time taken to secure connections and the costs involved in securing connections and network upgrades.
- Moreover, there is a pressing need to establish a more strategic approach that recognises the national significance of grid infrastructure⁸ - which should be embedded within the Energy Strategy and Just Transition Plan. No transition to a clean energy future can occur without adequate transmission infrastructure and the Scottish Government plays a crucial role in engaging with the public, in

partnership with the UK Government and industry bodies, to emphasise the critical importance of new electricity transmission infrastructure for consumers and broader energy security.

Prioritise delivery of the projects in Scotland that are part of the UK Government’s Energy Security Plan and embed this in the Green Industrial Strategy

- The development of hydrogen projects and CCUS - as part of the Energy Security Plan - will require greater support from the Scottish Government, with a particular focus on facilitating their implementation in Scotland. This includes the CCUS Acorn project in Aberdeenshire, as well as the Net Zero Hydrogen Fund (NZHF) projects which includes SSE’s Gordonbush project in Sutherland; Scottish Power’s Whitelee Green Hydrogen Project, Octopus Energy’s Lanarkshire project; Falck Renewables, green hydrogen hub project; and Getech’s project in Inverness.

Work in collaboration to deliver a UK-wide Deposit Return Scheme

- Businesses strongly support efforts to reduce waste and build a more sustainable economy and welcome the UK and Scottish Government’s commitment to deliver a UK-wide Deposit Return scheme. As Scottish businesses had already made preparations for the previous Scottish Deposit Return scheme, it’s important that there are no further delays to delivery. The Scottish Government can support in doing so using its existing knowledge and expertise.



Key Recommendations

- Publish the delayed climate strategies as soon as possible, including the Climate Change Plan, Green Industrial Strategy and the Energy Strategy and Just Transition Plan. To ensure these documents are effective delivery tools, they should have aligning objectives and include detailed action plans.
- Focus the Green Industrial Strategy on three key pillars: clarity and long-term stability in policy environment; comprehensive and competitive incentives for private investment; and efficient and coordinated delivery mechanisms.
- Address long-standing barriers within the planning system through regular, consistent funding; simplifying and streamlining the planning process; and prioritising strategic planning to deliver growth.
- Fast track planning and funding to accelerate electric vehicle charging infrastructure expansion, including the development of an implementation plan to meet 2030 targets.
- Publish an accompanying action plan to the Heat and Buildings Bill outlining how concerns related to skills, technologies, and supply chain capabilities will be addressed.
- Utilise the Non-Domestic Rates system to accelerate and incentivise progress in decarbonising buildings.
- Work closely with the UK Government on reserved policy matters that will help to drive Scotland's transition – including on matters related to grid connectivity and planning. This should include expediting the construction of electricity transmission infrastructure and streamlining the grid connection process.
- Prioritise delivery of the projects in Scotland that are part of the UK Government's Energy Security Plan, including the CCUS Acorn project and the Net Zero Hydrogen Fund projects.

Futureproofing the Labour Market and Boosting Productivity

Scotland is facing significant workforce challenges which are unlikely to resolve themselves over the coming years, with more people due to retire than enter the workforce. Addressing these challenges will require a range of policy solutions – from tackling high levels of economic inactivity, creating a demand-led skills system, to supporting businesses to adopt technology to boost productivity. With nine in ten workers needing some form of reskilling by 2030⁹, it is within the Scottish Government's power to create an education and skills system that is agile, flexible, and responsive. In addition, with the backdrop of current skills shortages and a population that continues to age, Scottish firms need to consider how they can improve productivity by embracing innovation and technology.

Create a flexible, demand-led system that supports lifelong learning

Align skills funding with industry need and introduce greater flexibility to the system

- Scotland needs to normalise and enable a culture of lifelong learning, moving away from the current model where the majority of learning occurs before people turn 22, to a system where people are incentivised to continually invest in their skills throughout their career. To deliver a more flexible and modular system, skills funding should be more closely aligned to industry needs and strike a better balance between undergraduate learning, work-based learning, and short, sharp provision to support continual upskilling and rapid retraining.
- With the announcement that the Flexible Workforce Development Fund will not be running for the coming academic year, the Scottish Government should consider other ways in which they can introduce flexibility to existing skills funding that helps employers to upskill their employees. They should also look to scale up existing initiatives, such as the Scottish Funding Council's upskilling fund.
- A cultural shift towards lifelong learning must also address the fact that individuals with the greatest training needs are the ones least likely to undertake any form of training. A new campaign should aim to identify the reasons why many people are apprehensive or reluctant when it comes to new training. This would help to highlight and remove barriers to accessing training whilst encouraging individuals to take ownership of their training and development needs.

Publish a clear action plan on the future of skills in Scotland

- There have been several reviews completed by and for the Scottish Government, including the National Discussion on Education; Skills Delivery Landscape Review; Independent Review of Qualifications and Assessments, Professor Muir Report on the replacement of the SQA, Grahame Smith's Careers Review Programme, and the James Withers' Independent Review of the Skills Delivery Landscape. This has led to confusion over the future direction of skills policy in Scotland.

- Based on the insights from these reviews, the Scottish Government should produce one consolidated strategy and action plan, setting out the future direction of skills policy as well as the roles business, education authorities, training providers and the government will play. This should incorporate a well-defined timeline for implementing changes and establish metrics for measuring the impact of these changes.

Ensure UK-level Apprenticeship Levy reform provides transparency on spending and distribution

- Businesses support the UK Government's pledge to reform the Apprenticeship Levy and pilot a Growth and Skills Levy. The CBI have called on the UK Government to commit to reporting annually on income received via the Apprenticeship Levy including where the levy is then allocated – such as to Scotland via the Barnett Formula - and on the levels of apprenticeship levy funding returned to HMT. Providing transparency of spending and distribution should allow the Scottish Government to identify the monies available more easily and ringfence specifically for skills investment, as well as improving business confidence in the system.

Ensure expansion of apprenticeships is designed in partnership with agencies and employers

- Apprenticeships will continue to play a crucial role in helping build the experience and skills that employers need. The expansion of apprenticeships should be demand-led, and agencies should work with employers to develop a more flexible apprenticeship offering that creates opportunities in a wider range of subject areas and sectors.
- The expansion of Graduate Apprenticeships must be matched with sufficient additional funding for universities to support delivery and ensure the financial sustainability of apprenticeship programmes.
- Most countries which lead in apprenticeship training normally fully fund the off-the-job training of apprentices¹⁰. Scotland should look to follow this model and allow employers and apprentices to drive the quantity and mix of apprenticeship provision.

Set a workforce digital skills target by the end of the next parliament and accelerate action on green skills

- Research shows that technological skills are going to represent almost a fifth of workers' time in 2030, regardless of their occupation¹¹. However, only one in five businesses feel fully equipped with digital technology skills¹². With the vast majority of the 2030 workforce already in work, digital upskilling will be crucial. Setting a target for 100% of the workforce in Scotland to have basic digital skills by the end of the next parliament would close an important skills gap and ensure no one is left behind. For most businesses, this means computer literacy such as familiarity with Microsoft Office, handling digital information and content, core skills

such as communication and problem-solving, and understanding how digital technologies work.

- The transition toward achieving net zero presents new and increasing demand for green skills. The Scottish Government should adopt a targeted approach to skills to ensure that the substantial investments being made to decarbonise are not hindered by shortages. The findings of Skills Development Scotland's CESAP Pathfinder should serve as the starting point for governmental action, alongside consistent and on-going dialogue with businesses.



Equip young people with the skills they need for the modern world

Embed communication and critical thinking skills across the curriculum and ensure everyone has access to high quality careers advice

- Creating great learners is key if people are to continue to develop new skills throughout their careers. Essential skills – such as communication, collaboration, and critical thinking – should be embedded across all learning, including at both primary and secondary school level.
- With digital skills underpinning the economy of the future, digital learning should be embedded in every subject across the curriculum, including at primary school, with funding provided to schools to invest in the technology needed to deliver this.
- Every young person must have access to high quality careers advice, especially those from disadvantaged backgrounds, to help them make the connection between their choices at school and opportunities in the world of work. This was highlighted as part of the Independent Review of Qualifications and Assessments.

Maintain our world class Universities and boost colleges

- Universities and colleges are one of Scotland's greatest strengths and should be harnessed to their full potential to support economic growth. They will play a critical role in driving the jobs of the future, where both creative minds and practical skills will be needed for a high-skill, high-wage economy. As a sector, universities alone deliver over £7 billion of gross value added to the Scottish economy¹³, while Scotland's colleges generate additional value worth £20 billion for the Scottish economy in the long-term¹⁴.
- Funding models must support greater flexibility for colleges to respond to industry needs, including recognition of the importance of part-time provision to upskill and retrain those already in work.
- A significant scaling up of agile, short courses in higher education will be crucial to support Scotland's economic growth and will require extra resources to be made available. All training courses should be regularly evaluated to ensure they are fit for purpose and continually evolve to equip people with the skills businesses need.

Support businesses to invest in innovation and adopt productivity-boosting technologies

Expand technology adoption support packages for SMEs and prepare for the rollout of Made Smarter

- The UK – including Scotland – lags behind other countries in the adoption of digital technologies¹⁵. Improved adoption is the key to boosting productivity and driving sustainable growth, especially in the face of a declining population. However, there are many barriers preventing firms from doing so, ranging from

knowledge and awareness of technologies, finance availability, and skills and expertise to implement in practice.

- The upfront cost can be a significant barrier to small and medium sized businesses in particular. The Scottish Government should continue to address this challenge by expanding support packages such as Digital Boost, which have been successful in supporting SMEs to adopt digital technologies.
- Looking ahead the Scottish Government should be prepared to work with the UK Government on the rollout of Made Smarter. The English North-West Made Smarter pilot programme - supporting technology adoption in the manufacturing sector – has been hugely successful, injecting up to £118m in GVA to the region and boosting productivity for 80% of SMEs who work with Made Smarter by up to 25%¹⁶. The UK Government announced the scheme will be extended to Scotland from 2026.

Simplify the support landscape and boost business-university collaboration to help drive innovation

- Increasing R&D investment is key to driving long-term sustainable growth, particularly in future-focused sectors such as science and technology. Innovation will be essential in supporting Scotland to address labour market challenges, reach net zero and lead in new and emerging markets.
- The CBI's Productivity Index found that Scotland's Business R&D as a percentage of GDP has shown a marginal decrease from 1.9% in 2020 to 1.8% in 2021, while the UK remains unchanged at 2.1%¹⁷. Momentum must be maintained by introducing a national mission to increase R&D spending. This should start with a simplification of the support landscape, which is fragmented and hard to navigate, especially for smaller businesses. Increasing awareness of organisations such as *Interface* will help to improve business' understanding of the collaboration opportunities available to them.
- Public procurement is an important mechanism for driving innovation. Procurement mechanisms should be updated across government to incentivise innovation adoption, placing greater emphasis on value not just cost.
- The quality of Scotland's Higher Education institutions and the research they produce is a competitive economic advantage that can be better utilised. Increased funding for university knowledge exchange activities would strengthen applied research across Scotland, provide support for more businesses, and leverage greater industry R&D investment.
- In addition, supporting universities to develop an enterprise partnership, based on the successful SET squared example, could boost the social and economic impact of research activity, and help turn more great ideas into successful businesses.

Key Recommendations

- Skills funding should be more closely aligned to industry needs and strike a better balance between undergraduate learning, work-based learning, and short, sharp provision to support continual upskilling and rapid retraining.
- Consider other ways in which flexibility can be applied to existing skills funding, allowing firms to invest in a greater range of accredited and modular training.
- Based on the insights from previous reviews, publish one consolidated skills strategy and action plan, setting out the role businesses, education authorities, training providers and government will play, alongside a clear timeline and metrics to measure impact.
- Increase visibility on how Apprenticeship Levy funding is used in Scotland. This starts with the UK Government reporting on income received via the levy and where it is then allocated via the Barnett Formula - a key CBI ask to Westminster.
- Ensure the expansion of apprenticeships is demand-led and agencies should work with employers to develop a flexible apprenticeship offering that creates opportunities in a wider range of subjects and sectors.
- Set a workforce digital skills target by the end of the next parliament and accelerate action on green skills.
- Support universities and colleges with the funding and flexibility needed to increase short, sharp, industry-led courses to help people rapidly upskill and retrain.
- Expand support packages such as Digital Boost, supporting SMEs to adopt productivity-boosting digital technologies and continue working with the UK Government to ensure a successful rollout of the Made Smarter scheme in Scotland.

Evolving Infrastructure and Improving Connectivity

Scotland's ability to meet our social and economic needs relies in no small part on the delivery of futureproofed national infrastructure. Whether it's digital connectivity via national broadband rollout, improving transport links to major economic hubs, or sufficient construction of housing across our urban and rural centres, this should be considered a national mission.

Fast track gigabit broadband for first-class connectivity

Remove barriers to ensure the rollout of gigabit capable broadband by the end of the next parliament

- The CBI's Productivity Index shows that Scotland is making good progress on the rollout of full fibre broadband, with 52% of premises now with access. This is a notable increase from 41% in 2022. This reflects focused efforts to enhance digital infrastructure across the country. However, Scotland still lags behind the UK as a whole (56%) and Northern Ireland (90%)¹⁸, showing there is still more to do.
- The Scottish and UK Governments should work together to deliver a digital revolution that sees gigabit-capable broadband rolled out across all of Scotland by the end of the next parliament. Delivery will require the removal of barriers to the rollout of gigabit connectivity. Challenges around accessing buildings with multiple occupants need to be addressed to ensure that future telecoms infrastructure – such as 5G – falls under permitted development.
- As part of the Reaching 100 programme, the Scottish Government needs to address the disparity in delivery of connectivity across rural Scotland. In many cases operators are able to provide connectivity to some parts of the community, while offering vouchers to others – which do not always cover costs. The Scottish Government should also work with the UK Government on the Shared Rural Network Programme to facilitate cost-benefit analysis on site selection.
- With changing working patterns meaning more people are reliant on their home broadband for work, gigabit connectivity should be mandatory in new builds. Bringing forward legislation to ensure access to gigabit-capable connections in tenant properties, where providers are unable to gain access to land through written consent, will also help to ensure everyone has the digital connectivity needed to work from home, supporting labour market participation and ensuring no community is left behind.

Invest in the built environment for a stronger economy

Set a national house-building target and better resource local authorities

- The need for new housing must be recognised alongside the contribution that housebuilding makes to the Scottish economy. Setting a national target of building 25,000 new homes each year across all tenures would set a strategic direction for decision makers at a local level.
- Better resourced local planning authorities will be essential to the delivery of any national housing target to facilitate faster, more-responsive decision making. This includes ensuring there are enough planners in the public system. The Royal Town Planning institute found that a quarter of planners left the public sector between 2013 and 2020, while the number of planners in the private sector grew by 80%¹⁹. To address the shortage of planners the focus must be on attracting talent with greater government support for planning education and entry points into the profession. Businesses welcome the concept of Local Planning Hubs to help mitigate the capacity issues within Scotland's planning authorities.
- Scotland's Digital Strategy for Planning is a welcome step forward in creating a planning system with technology and data at its heart. Business would welcome a more ambitious target for achieving the whole-system digital transformation of planning than the current five-year commitment.

Publish a strategy for retrofitting existing infrastructure

- The majority of Scotland's infrastructure today will still exist in 2045, making a focus on resilience essential. A strategy should be developed for refurbishing and repurposing – rather than replacing – infrastructure across Scotland. From switching gas boilers to heat pumps to repurposing road and rail networks, the Scottish Government should package up projects and set out a plan for maximising existing infrastructure that businesses can support and invest in.

Digitise the transport system and prioritise connections with key markets

Ringfence funding to enhance critical road routes and reduce travel time to key economic hubs

- As an exporting nation, Scotland's National Transport Strategy is right in identifying the effective movement of goods as essential for trade and economic growth, and more must be done to improve connectivity amongst key exporting sites, including ports, airports, and rail hubs. This includes moving forward on the planned dualling of the A9, dualling of the A1 north of the border to improve Scotland – England links, and investment in the A75 and A77 to improve connections to Northern Ireland.
- While better digital connectivity reduces the need for travel, improved links between Scotland and cities across the North of England presents a significant economic opportunity. For example, linking Glasgow, Edinburgh, Newcastle, Leeds, Manchester and Liverpool creates an economic area with a population in

excess of ten million. Reducing travel times between these major economic hubs would give firms access to a wider range of markets and suppliers and make it easier to get goods and people to where they need to be.

- For many firms that export, freight connectivity to deep-sea ports is vital. Improving rail connections between Scotland and deep-sea ports in other parts of the UK would give firms greater flexibility between using feeder ports in Scotland and accessing main ports directly by train, supporting firms to get their goods to market efficiently.
- There is a long overdue ticketing revolution needed in Scotland with multi-modal fare options to help give customers a better experience and encourage more people to choose greener modes of transport. The focus should be on developing a system that revolves around smart payment structures that give travellers a seamless journey across all modes of transport, at the best possible price.

Prioritise publishing the long-overdue aviation strategy

- Scotland's airports are crucial economic hubs, and the aviation sector is worth £4 billion a year to the Scottish economy²⁰. It is also vital to the success of the Scottish government's existing exporting and inward investment strategies. While the Scottish Government recently published an aviation statement outlining key priorities, a clear strategy is still required to help support the industry attract new routes to Scotland, assess ways to make greener journeys possible, and continue trials of new technologies – such as electric flights serving the island communities of Scotland.



Key Recommendations

- The Scottish and UK Governments should work together to deliver a digital revolution that sees gigabit-capable digital connectivity rolled-out across all of Scotland by the end of the next parliament.
- Address the disparity in delivery of connectivity as part of the Reaching 100 Programme and work with the UK Government on the Shared Rural Network Programme helping with cost-benefit analysis of site selection.
- Legislate to ensure access to gigabit-capable connections in tenant properties where providers are unable to gain access to land through written consent.
- Set a national target of building 25,000 new homes each year across all tenures.
- Establish Local Planning Hubs to accelerate the consenting process for major infrastructure projects throughout the country.
- Develop a strategy for refurbishing and repurposing – rather than replacing – infrastructure across Scotland.
- Focus transport infrastructure investments on improving connectivity to key markets, including improving rail connections with cities in the north of England and deep-sea ports in other parts of the UK.
- Allocate dedicated funding to enhance critical road routes, including the A9, A77, and A75 upgrade projects.
- Before the next Scottish Budget, publish the updated aviation strategy as a priority.

References

- 1 The CBI's 2024 Productivity Index found that Business investment as a share of Scottish GDP contracted by 0.3-percentage points (-p.p.) in 2022 to 9.5%. This indicator continues to remain below the long-term trend (1998-2022) of 9.8%.
- 2 According to the EY 2023 UK and Scotland Attractiveness Survey, Scotland is the top UK location for FDI outside of London.
- 3 CBI Business Tax Roadmap, CBI, 2023
- 4 This will need to be monitored and assessed against the new UK Government's commitment to reform Business Rates in England.
- 5 Going for Green: The UK's net zero growth opportunity, CBI, 2023
- 6 The Climate Change Committee estimates that by the end of this decade, Scotland will need to treble the pace of roll-out of public electric vehicle charge points.
- 7 Progress in reducing emissions in Scotland, 2023 Report to Parliament, Climate Change Committee, March 2024
- 8 National Grid EDO estimates that five times more transmission lines need to be constructed by 2030 than have been built in the past three decades.
- 9 Learning for Life, CBI, 2020
- 10 Strengthening Skills in Scotland: OECD Review of the Apprenticeship System in Scotland, August 2020
- 11 Skill Shift: Automation and the future of the workforce, McKinsey, 2018
- 12 Digital Economy: Skills Action Plan 2023-2028, Key Issues and Priority Actions, Skills Development Scotland & FSB, 2023
- 13 Going for Growth, Universities Scotland, August 2017
- 14 The value of college graduates to the Scottish economy, Fraser of Allander Institute, 2017
- 15 IBM Study: Skills Shortage Stalls UK's AI Adoption as Europe Accelerates, 2022
- 16 Made Smarter: Technology Adoption Pilot Report
- 17 CBI/KPMG Productivity Index, 2024
- 18 CBI/KPMG Productivity Index, 2024
- 19 'Local authorities struggle as over a quarter of planners depart', Royal Town Planning Institute, 2023
- 20 Back to business: how aviation can boost economic recovery across the UK, WPI Strategy, 2020



For more information on this submission, please contact **Katie Miller, Head of Policy – Scotland** at katie.miller@cbi.org.uk

August 2024

© Copyright CBI 2024

The content may not be copied, distributed, reported or dealt with in whole or in part without prior consent of the CBI.

[cbi.org.uk](https://www.cbi.org.uk)