



**NOVEMBER 2023**

# **SCOTTISH BUDGET 2024 LETTER**

**prosper**

[prosper.scot](https://prosper.scot)

Prosper is the trading name of the Scottish Council for Development and Industry (SCDI).  
Registered Office: Brunswick House, 51 Wilson Street Glasgow G1 1UZ 0141 243 2667 [hello@prosper.scot](mailto:hello@prosper.scot)  
Registered in Scotland: 24724. Prosper is trademarked: UK00003884656, UK00003884741, UK00003884972.



Shona Robison MSP  
Deputy First Minister and Cabinet Secretary for Finance  
The Scottish Government  
St. Andrew's House  
Regent Road  
Edinburgh  
EH1 3DG

15 November 2023

Dear Deputy First Minister,

Thank you for meeting our Chair Joanna Boag-Thomson and me on 9 August when we spoke about the Scottish Budget 2024-25 and the Medium-Term Financial Plan. We are also grateful that Minister for Community Wealth and Public Finance, Tom Arthur MSP, met our Policy Committee on 31 August to discuss the Scottish Budget with members.

As you will be aware, since those meetings SCDI has rebranded as Prosper. This will strengthen our ability to fulfil our purpose of bringing together Scotland's private, public and third sectors to drive Scotland's long-term growth in the global economy and achieve our goal of inclusive and sustainable prosperity. I am now following up our earlier discussions to provide Prosper's main recommendations for the Scottish Budget.

### Economic Context

Economic conditions remain difficult, with an uncertain outlook. Growth has been consistently weak since the financial crisis of 2007/08 and is forecast to be subdued over the next three years. The immediate challenges of recovery from the pandemic and the costs crisis must be addressed, but improving Scotland's long-term economic performance and its impact on people and the planet must be an overarching priority. This letter sets out Prosper's recommendations for actions in the Scottish Budget that will boost economic recovery and increase sustainable and inclusive economic growth.

In 2021, Prosper published our Blueprint for the Scottish Economy in 2030, 'Making A Good Living'. We explored 'what should Scotland be known for in the global economy of 2030?' The Blueprint identified four priorities for actions: Economic Purpose, A Living Lab for Innovations, Learning Throughout Life, and Healthy Places to Live and Work. In follow up, we partnered with the Scottish Government on the Business Purpose Commission for Scotland who published their report, 'Now Is The Time for Purpose', in 2022, making recommendations for how by 2030 all businesses in Scotland could become purposeful businesses which profit from finding solutions for people and the planet. This work was at

prosper

[prosper.scot](https://prosper.scot)



the heart of our advice for the Scottish Government's National Strategy for Economic Transformation, which we welcomed, and its Delivery Plans.

Prosper recognises that there have been some significant changes since the publication of NSET, including the appointment of a new First Minister and Cabinet, who initiated the New Deal for Business Group which we supported and in which we participated. However, we are disappointed with the lack of progress that has been made in implementing NSET and concerned that it is already going to be subject to a lengthy review. NSET, rightly, included a Culture of Delivery programme to join up the five programmes of actions, and the challenge of transforming our economy in less than 10 years demands greater urgency. This sense of a lack of clarity about key long-term policies is one that is shared across the private, public and third sector members of Prosper's Policy Committee along with uncertainties about the policy responsibilities of Scottish Government Ministers and officials. New policy announcements, such as the one-year council tax freeze, which do not follow consultation or include important details, cast doubt on the new deals forged by the Scottish Government with external partners and make it more difficult for them to understand the strategic policy direction.

Prosper understands the difficulties caused by factors including responding to the current costs crisis, uncertainties about UK Government policies and the deteriorating position in and outlook for public finances. This makes it even more critical that the Scottish Budget 2024-25 is at the heart of a wider policy drive to provide strategic clarity about what the Scottish Government will invest in, and about how it will unleash the private, public and third sectors to deliver a 'fair, green and growing' Scottish economy.

### **Lifelong Learning**

Scotland's future prosperity - and the ability of every individual to realise their full potential - depends on us being competitive in developing people's skills and attributes. Labour market supply and skills shortages continue to be the most serious constraint on delivery for many businesses and organisations across sectors and in every area. As the economy and population changes, the focus for learning must be also extended from pre-work education and early-careers skills to skills for all stages of lives and careers. Prosper is concerned that the real terms erosion of funding for Scotland's education and skills system is leading to an unsustainable model that will undermine its ability to better meet users' needs, support economic transformation and compete internationally. We need universities and colleges to be funded at a level that supports their contribution to the nation's prosperity. We recommend that the Scottish Government's response to James Withers' Independent Review of the Skills Delivery Landscape and the Scottish Budget should provide clarity on policy reforms and a start on the additional investment in skills that will be necessary to meet the level of economic transformation expected in NSET. We also look forward to working with the Scottish Government on the policy aspects of its implementation,

**prosper**

[prosper.scot](https://prosper.scot)



including how to support an ambitious plan to grow the provision of lifelong learning over working lives.

More specifically, Prosper asks for confirmation, in advance of the Scottish Budget, of funding for the Flexible Workforce Development Fund for 2023-24, to enable hundreds of businesses to proceed with the training they have planned with colleges and universities. Feedback from Prosper members supports the Scottish Government commissioned evaluation published this year which found that the FWDF is working well and recommended establishing multi-year funding. Apprenticeship Levy-paying employers in Scotland want clear visibility of what their levies are delivering for them and the skills base through the FWDF and the end of the FWDF would sever this return.

### Infrastructure

The capital budget for long-term investment underpins Scotland's ability to transform its national economy through clean growth and create healthy places to live and work. This is especially tight and it is vital that the Scottish Government explores and takes full advantage of mechanisms to maintain delivery of the updated Infrastructure Investment Plan Major Capital Projects Pipeline to be published with the Scottish Budget. While the budgetary strains are understood and full delivery over longer timescales is accepted, these do not change the case for the development of high-quality public infrastructure that supports economic transformation and jobs in all regions of Scotland. Prosper recommends that the Scottish Government and its agencies work with stakeholders to accelerate completion of Delivery Plans with detailed timetables for the maintenance, decarbonisation and improvement of strategic infrastructures. We call for publication this year of the Strategic Transport Projects 2 Delivery Plan, and for the Scottish Government to progress and finalise Delivery Plans for key infrastructures e.g. to give access to modern education and research facilities to people and employers across Scotland for lifelong learning, entrepreneurship and innovation.

Prosper welcomed the announcement by the First Minister of £500m for investment in the offshore wind supply chain, including ports, over the next five years. This will be a strong example of how public investments can unlock more private capital. Prosper recommends that this should be a strategic priority for the Scottish Budget and for work on Scotland's Green Industrial Strategy. Early engagement with potential investors on priorities is key. Businesses in Scotland are ready to invest in green energy and decarbonisation projects, and removing the barriers to their delivery will drive economic transformation even within tight public capital budgets. Prosper continues to make representations to the UK Government which has policy responsibility for accelerating electricity grid connectivity, and we recommend that the Scottish Government streamlines the consenting and planning processes for projects. We propose that resources are provided in the Scottish Budget to improve planning departments' capacity and

prosper

[prosper.scot](https://prosper.scot)



skills to engage constructively with developers and determine planning applications within agreed target times. The Scottish Government, local government and the development industry should also agree mechanisms to uplift and make most efficient use of funding for planning (e.g. by pooling planners' expertise).

The Scottish Government's Global Capital Investment Plan, 'Investing with Purpose', articulates the important role private capital investment in a project or business can play in driving an investment-led recovery, which differs from Foreign Direct Investment. The competitiveness of Scotland's cities and regions for capital investment must continue to be a priority with the impact of new policies tested against this criteria.

As the Cabinet Secretary steering the development of the Rural Delivery Plan, you will understand that organisations working in the rural economy regard infrastructure as a particularly high priority. Prosper's Rural Commission recently published an update of its report on how to harness the potential of Scotland's rural economy and not leave areas further behind. This identified three areas which are in pressing need of attention: Development; Housing; and Transport. Delivery which supports business investment/jobs growth, functioning places/repopulation and national, industry/ business and community sustainability objectives should be prioritised, with a focus on tackling the barriers to all sizes of developments, including costs. More specifically, Prosper recommended actions on roads, including a detailed timetable to fully dual the A9 between Perth and Inverness, and on ferries, including publication of the Long Term Plan for Vessels and Ports this year. I enclose the full update report for your attention.

### Innovation

Productivity improvements in the private, public and third sectors are fundamental to economic transformation. Scotland must attract high-value inward investment in strategic sectors, create and grow more innovation-driven enterprises, and increase productivity across organisations. Funding should be found to deliver the new Scottish Innovation Strategy, and target opportunities for Scotland from Innovate UK funding and the recently agreed UK association with Horizon Europe. Prosper welcomes the Scottish Government's commitment to a 10-year National Productivity Programme, including three-year funding for Prosper's Productivity Club Scotland network. We will work with partners to maximise the impact for SMEs and third sector organisations.

Research and innovation are key drivers of productivity and sustainable growth. Prosper strongly supports Scottish Government investment in research and innovation by businesses, universities and colleges. This develops new and improved products and processes, and enables Scotland to compete in securing innovation-led inward investment, and to draw in private, public and charitable

prosper

[prosper.scot](https://prosper.scot)



research funding from UK and international sources. This creates and safeguards good quality and well-paid jobs.

### Taxation

Tax policy can also have an important bearing on productivity. Employers must be in a position to retain and attract skilled people, and to invest in their organisations. The Scottish Government must carefully use its tax powers, taking full account of the competitiveness of the Scottish economy and the behavioural effects of potential changes, including the impacts on whether people will be more or less likely to want to work and pay tax in Scotland, and on whether they might change their working hours.

There are a range of views on tax policy in Prosper's membership. At this time of cost and recruitment pressures, and pending advice and engagement by the Tax Advisory Group and progress with the recommendations from the New Deal for Business Group, most businesses across a range of sectors are concerned that increases in income tax and non-domestic rates would exacerbate cost pressures for people and organisations. In particular, businesses have called for a freeze on the headline business rate poundage. Prosper also notes that progress has not yet been made towards fulfilling the Scottish Government's pledge to restore parity with England on the Higher Property Rate over the course of the Parliament and requests that Ministers set out their plans. Prosper also recommends that the Scottish Government is ready to act if there are changes in UK taxes in the Autumn Statement in order to maintain Scottish economic competitiveness.

### Public Services

Prosper appreciates the importance of finding resources for all Scotland's public services, not only those which have been ringfenced. The capacity and quality of public services is critical for both social wellbeing and economic transformation. Successive real terms reductions in funding for local government is having an impact in areas including local economic development and planning, and there are economic priorities in which significant investment is needed, such as the expansion of childcare provision. Prosper recommends that the Scottish Government and COSLA agree the new Fiscal Framework and full funding by the Scottish Government for its council tax freeze policy.

More generally, the Scottish Budget must promote strategic long-term financial planning which supports public services to become fit for the future rather than fire-fighting. While the difficulties for the Scottish Government in doing so are recognised, Prosper recommends that, as far as possible, multi-year budgets are set out for capital and resource spending. Longer-term financial planning would enable public and third sector organisations to invest in their productivity, transition their business and delivery models, and make the decisive shift to preventative spending proposed by the Christie Commission a decade ago.

[prosper.scot](https://prosper.scot)



Demos's proposal to put preventative spending on the same footing as capital and resource spending is also worthy of detailed consideration. Digitalisation, AI and data offer opportunities to redesign public services around users and reduce costs, as Prosper showed in our own report on health and social care data. Prosper recommends that the Scottish Budget should support delivery of the refreshed Scottish AI Strategy, including by building and sharing skills across public services.

The Finance and Public Administration Committee commented in its Pre-Budget Scrutiny 2024-25 both on the need to invest public resources in ways that generate economic growth and, on the policy changes and uncertainty about the Scottish Government's public services reform programme. While we share the reluctance to add to the public bodies landscape, Prosper's Blueprint recommended the creation of a Productivity and Wellbeing Commission similar to the highly-regarded Australian and New Zealand Productivity Commissions, and we believe that this independent expert group focussing on the twin ambitions of productivity and wellbeing would improve strategic advice and evaluation across Scotland's public, private and third sectors.

### Conclusion

I hope that these comments are helpful. We are ready to discuss the Scottish Budget with you or Ministerial colleagues before 19 December and following its publication.

Yours sincerely,

Sara Thiam  
**Chief Executive**

prosper

[prosper.scot](https://prosper.scot)