

SCOTLAND'S FUTURE

The title 'SCOTLAND'S FUTURE' is rendered in a large, bold, sans-serif font. Each letter is filled with a different image representing various aspects of Scotland: 'S' shows a busy street scene; 'C' shows a scenic landscape; 'O' shows a bridge over water; 'T' shows a modern building; 'L' shows a road through a valley; 'A' shows a mountain landscape; 'N' shows a road winding through a valley; 'D' shows a field; 'S' shows a large building; 'F' shows a woman's face; 'U' shows a woman's face; 'T' shows an older man's face; 'U' shows a young man's face; 'R' shows a man in a high-visibility vest; 'E' shows a woman's face.

YOUR GUIDE TO AN INDEPENDENT SCOTLAND

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The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

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Scotland's referendum on 18 September 2014 is a choice between two futures.

If we vote Yes, we take the next step on Scotland's journey. We will move forward with confidence, ready to make the most of the many opportunities that lie ahead. The most important decisions about our economy and society will be taken by the people who care most about Scotland, that is by the people of Scotland. The door will open to a new era for our nation.

Scotland's future will be in Scotland's hands.

If we vote No, Scotland stands still. A once in a generation opportunity to follow a different path, and choose a new and better direction for our nation, is lost. Decisions about Scotland would remain in the hands of others.

We, the people who live here, have the greatest stake in making Scotland a success. With independence we can make Scotland the fairer and more successful country we all know it should be. We can make Scotland's vast wealth and resources work much better for everyone in our country, creating a society that reflects our hopes and ambition. Being independent means we will have a government that we choose – a government that always puts the people of Scotland first.

This is what being independent can deliver for Scotland and it is why the Scottish Government believes the people of Scotland, individually and collectively, will be better off with independence.

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The Rt Hon Alex Salmond MSP
First Minister

Scotland is an ancient nation, renowned for the ingenuity and creativity of our people, the breathtaking beauty of our land and the brilliance of our scholars. Our national story has been shaped down the generations by values of compassion, equality, an unrivalled commitment to the empowerment of education, and a passion and curiosity for invention that has helped to shape the world around us. Scots have been at the forefront of the great moral, political and economic debates of our times as humanity has searched for progress in the modern age.

It is in that spirit of progress that you will be asked on 18 September 2014,

‘Should Scotland be an independent country?’

The answer we give to that question will determine how we can shape our nation for the future. The year ahead should be a national celebration of who we are and what we could be.

The debate we are engaged in as a nation is about the future of all of us lucky enough to live in this diverse and vibrant country. It is a rare and precious moment in the history of Scotland – a once in a generation opportunity to chart a better way.

At its heart independence is not about this Government or any political party. It is about a fundamental democratic choice for the people of Scotland. It is about the power to choose who we should be governed by and the power to build a country that reflects our priorities as a society and our values as a people.

I believe in independence because I believe it will be better for all of us if decisions about Scotland are taken by the people who care most about Scotland – the people who live and work here. It is my absolute conviction that Scotland’s future should be in Scotland’s hands.

I also believe that the bonds of family, friendship, history and culture between Scotland and the other parts of the British Isles are precious. England, Wales and Northern Ireland will always be our family, friends and closest neighbours. But with Scotland as an independent country, our relationship will be one of equals. I have no doubt that it will flourish.

I want to be clear about what independence means and why the Scottish Government is asking you to vote Yes.

The vote in September 2014 is about becoming independent from the parliamentary union of 1707 and passing to the Scottish Parliament the powers Westminster has over matters such as taxation, welfare and the economy, and securing for Scotland our own place in the world as an independent country.

Last year, in the Edinburgh Agreement, the Scottish and Westminster Governments agreed to continue to work together constructively in the light of the outcome of the referendum, whatever it may be, in the best interests of the people of Scotland and of the rest of the United Kingdom. That is an important commitment from both Governments. It will help to ensure a smooth transition of powers from Westminster to Scotland.

That constructive working together will continue after independence.

We will work in partnership with the rest of the UK to share the pound for our mutual benefit, but we will pursue a Scottish tax and economic policy to boost jobs, growth and social justice.

Westminster governments, rejected at the ballot box in Scotland, will no longer be able to inflict the poll tax or the bedroom tax on the most vulnerable people in our society.

We will continue to work in partnership with the rest of the UK in defence alliances to promote peace and security, but we will be able to remove Trident from Scotland's soil and stop paying towards the £100 billion lifetime cost of a new generation of nuclear weapons.

We will work in partnership with the rest of the UK inside the European Union. But we will be able to represent Scotland at the top tables of Europe as a constructive member state and stand up for vital Scottish interests.

Scotland will remain within the Union of the Crowns with Her Majesty The Queen as our head of state, but we will have a modern, written constitution.

And the social ties between Scotland and the rest of the UK will continue and thrive.

That is the independent Scotland we will negotiate following a Yes vote. We will do so in time for Scotland to become independent on 24 March 2016 and be ready for the first elections to an independent Scottish Parliament in the spring of that year.

Of course some would prefer Scotland to become a republic, to leave the EU or NATO, or to have our own currency. After Scotland becomes independent, any political party seeking to make these kinds of changes would first have to win support to do so in an election.

That is the real democratic value of independence – the people of Scotland are in charge. It will no longer be possible for governments to be elected and pursue policies against the wishes of the Scottish people. So other choices can be made, different from those we propose in this guide – but these will be the choices of the Scottish people.

Independence will put the people of Scotland in charge of our own destiny.

No-one is suggesting an independent Scotland would not face challenges. We would be unique if that was not the case.

But we are rich in human talent and natural resources. We are one of the wealthiest nations in the world. With independence, we can build the kind of country we want to be.

People down the decades have wondered if a country blessed with such wealth, talent and resources could and should have done more to realise the potential we know exists for everyone. Those generations could only imagine a better Scotland.

Our generation has the opportunity to stop imagining and wondering and start building the better Scotland we all know is possible.

This is our country. This is Scotland's future. It is time to seize that future with both hands.

A handwritten signature in black ink, appearing to read 'Alex Salmond', with a stylized flourish at the end.

Gains from independence – whichever party is elected

- Decisions about Scotland will be taken by the people who care most about Scotland – those who live and work here
- An independent Parliament elected entirely by people in Scotland will replace the current Westminster system. Under that system, elected representatives from Scotland make up just 9 per cent of the 650 members of the House of Commons; the House of Lords is wholly unelected
- Governments will always be formed by parties that win elections in Scotland. It will no longer be possible for key decisions to be made by governments that do not command the support of the Scottish electorate
- A guarantee that tax and social security rates will be set in line with the wishes of the people of Scotland. That will mean an end to the imposition on Scotland of policies like the “bedroom tax”
- Public services can be kept in public hands. The Scottish Parliament has the power to keep the NHS in public hands but it could not stop other services such as the Royal Mail being privatised by Westminster
- An economic policy aimed at economic stability and job security in Scotland will replace an economic policy which disproportionately benefits London and the South East of England
- Access to our own resources – for every one of the last 32 years estimates show Scotland has generated more tax per head than the UK as a whole. With independence, decisions about the level and allocation of public spending will be taken here in Scotland
- An economic policy that can be tailored to take advantage of Scotland’s world-class universities and key growth industries like food and drink, life sciences, and tourism
- An independent Scotland can invest our oil wealth for future generations. By value there is estimated to be as much North Sea oil still to come as has already been extracted. Norway has a savings fund worth more than £470 billion
- Our taxes will not be used to pay for nuclear weapons and we can remove Trident from Scotland for good

Gains from independence – if we are the first government of an independent Scotland

- A transformational extension of childcare, giving our children the best start in life, making it easier for parents – especially mothers – to return to work and delivering new job opportunities
- Abolition of the “bedroom tax” which will save 82,500 households in Scotland – including 63,500 households with a disabled adult and 15,500 households with children – an average of £50 per month
- A halt to the rollout of Universal Credit and Personal Independence Payments in Scotland allowing future Scottish governments to develop reforms to our welfare system that meet our needs
- The first steps towards a fairer tax system by ensuring that basic rate tax allowances and tax credits rise at least in line with inflation, and ending of the married couples tax allowance and abolishing the Shares for Rights scheme
- Pensioners’ incomes protected with the triple lock so that pensions increase by either inflation, earnings, or 2.5 per cent, whichever is highest
- Simplification of the tax system to reduce compliance costs, streamline reliefs and help to reduce tax avoidance, with a target revenue gain of £250 million a year by the end of the first term
- Return of the Royal Mail to public ownership in Scotland, guaranteeing the quality of service that all parts of our country currently enjoy
- A Fair Work Commission and a guarantee that the minimum wage will rise at least in line with inflation. Over the last five years, this would have improved the earnings of the lowest paid Scots by the equivalent of £675. Continued support for the living wage for central government staff and promotion of it for other sectors of the Scottish economy
- A timetable for reducing the rate of corporation tax by up to three percentage points to counter the gravitational business pull of London
- Examination of further help for small businesses, for example with national insurance costs to encourage them to create more jobs
- Reduction in Air Passenger Duty by 50 per cent, with a view to abolishing it when public finances allow
- Support for energy efficiency and the roll out of green technology from central government budgets to reduce energy bills by around 5 per cent

What you can expect from this guide to an independent Scotland

The Scottish Government supports independence for Scotland.

On 18 September 2014 you will be asked to vote in a referendum on the question:

‘Should Scotland be an independent country?’

The Scottish Government believes you should vote Yes.

This guide sets out the gains of independence for Scotland – whichever party is in government – and this Government’s vision and priorities for action if we are the first government of an independent Scotland. It also explains the process by which Scotland will become independent following a Yes vote and how our newly independent Scotland will work.

Scotland has many natural advantages. The foundations of our economy are strong. We have abundant natural resources. We have a talented population with many world-class businesses and institutions. We have a proud history, progressive traditions, fine intellectual and artistic accomplishments, a strong identity and many friends across the world.

Through devolution, the people of Scotland have experienced some of the benefits of independence. The advantages of taking decisions for ourselves have been clear. Crime is lower. Health outcomes have improved. In many ways – like our unemployment rate – our economy is stronger than the UK as a whole. The Scottish Parliament has protected the NHS from privatisation and restored our tradition of free education.

This guide lays out how we can complete Scotland’s journey to home rule and become a fully independent country.

If Scotland votes Yes in the referendum the Scottish Government will negotiate so that Scotland becomes independent on 24 March 2016.

In detail, this guide sets out:

The case for independence. Decisions about Scotland – decisions that affect us, our families, our communities and the future of our country – should be taken in Scotland to reflect the views and concerns of the Scottish people, rather than by governments at Westminster with different priorities, often rejected by voters in Scotland.

The strong foundations already in place for the economy and public finances of an independent Scotland. Scotland can afford to be independent. We can pay for, and protect, our public services. Even those who currently argue against independence accept that Scotland can be a successful independent country. Independence will give us the powers we need to build an even stronger economy. It will equip us to compete effectively in the global economy, rather than remain under Westminster which has created an unequal society and an unbalanced economy.

How Scotland will become independent. Following a vote for independence on 18 September 2014, Scotland will prepare to become an independent country. There will be negotiations with the rest of the UK, the EU and other international partners. Planning for independence in March 2016 allows a realistic time to reach agreement in those discussions and to complete the legal processes to transfer power to the Scottish Parliament.

The first parliamentary election in an independent Scotland will take place on 5 May 2016.

What an independent Scotland will look like. The shape of Scotland in the future will be determined by how the people of Scotland vote in elections in 2016 and thereafter. The current Scottish Government will lead Scotland from a Yes vote in September 2014 to independence in March 2016. This guide sets out what Scotland will look like at the point of independence – on issues such as the currency, the monarchy and membership of the EU.

The gains of independence for you, your family and community. Independence will give the Scottish Parliament new powers in areas like the economy, taxation, welfare, energy and defence, and control over key national assets like the postal system. In this guide we set out the many opportunities these powers will give Scotland, and some of the current Scottish Government's priorities for action if we are elected to be the government of an independent Scotland in May 2016.

Answers to your questions. In this guide we answer detailed questions we have been asked about independence.

Structure of this guide

Part one of the guide sets out an overview of the case for independence:

- why Scotland needs independence
- what Scotland will look like on independence
- what will happen between a Yes vote and Scotland becoming independent
- our financial and economic strengths
- the benefits of independence and the priorities for action of the current Government if it is the first government of an independent Scotland
- the consequences of Scotland voting No to independence

Part two describes the strengths of Scotland's national finances over recent decades compared to the UK as a whole. It also estimates Scotland's opening financial position at the point of independence – 2016/17 – and sets out this Government's priorities for the first term of a Scottish Parliament.

Part three provides detailed analysis of the changes needed across Scotland, the opportunities that independence provides for any future Scottish government to make those changes, and the particular priorities for action identified by this Government. These chapters cover:

- Finance and the Economy, including measures to boost the economy, create jobs and ensure we have a skilled, motivated and fairly-rewarded workforce, and proposals on our currency, the tax system, and financial regulation
- Transport, including proposals to strengthen connections within and to Scotland, support decarbonisation and reduce Air Passenger Duty
- Health, Wellbeing and Social Protection, including proposals to improve pensions, build a fairer welfare system in an independent Scotland, and continue to protect our NHS
- Education, Skills and Employment, including the opportunities for our schools, universities and colleges to flourish with independence, our transformational childcare proposals, and the need to address inequalities in educational attainment in our schools, protect free university education and strengthen Scotland's academic research base
- International Relations and Defence, including Scotland's transition to independent membership of the EU, and our proposals for Scotland's armed forces and international representation
- Justice, Security and Home Affairs, including the opportunities to make our communities safe, protect ourselves against terrorism and other security threats, and establish a system of immigration and citizenship that meets Scotland's needs
- Environment, Rural Scotland and Energy & Resources, including the opportunities for our food and drink, agriculture and fishing industries, and our rural and island communities, and proposals to support our energy industries – oil and gas and renewables – and manage our energy wealth for the future with the creation of a Scottish Energy Fund
- Culture and Communications, including the future of broadcasting and the Royal Mail in Scotland

Part four sets out the timescale and process for Scotland to become an independent country following a Yes vote in the referendum. It describes the transition that will take place and the negotiations that will be required on assets and liabilities, and to ensure continued delivery of public services. It also sets out the opportunities for a modern democracy with our own written constitution and describes how equality and human rights will be protected and promoted on independence.

Finally, in **Part five** we answer detailed questions we have been asked about independence.

SUMMARY

SCOTLAND IN NUMBERS



5.3
MILLION PEOPLE*
16% OF THE
POPULATION
AGED UNDER



15
(850,000*)

*SOURCE: 2011 CENSUS
**SOURCE: TIMES HIGHER EDUCATION
UNIVERSITY RANKINGS

83%*
OF THE SCOTTISH
POPULATION FEEL
THEY HAVE A
SCOTTISH
NATIONAL IDENTITY



20%*
OF THE POPULATION
SHARE THEIR
SCOTTISH
CONNECTION WITH
ANOTHER IDENTITY

SCOTLAND HAS
FIVE
UNIVERSITIES
IN THE WORLD'S TOP 200,*



INCLUDING ST ANDREWS
THE THIRD
OLDEST UNIVERSITY IN
THE ENGLISH-SPEAKING
WORLD

IF SCOTLAND BECAME
INDEPENDENT NOW

54TH

MEMBER OF THE
COMMONWEALTH



194TH
INDEPENDENT
COUNTRY TO
JOIN THE UN

29TH
MEMBER OF
THE EU



Part One – The case for independence

Independence means that Scotland's future will be in our own hands. Decisions currently taken for Scotland at Westminster will instead be taken by the people of Scotland.

A vote for independence will be the clearest possible declaration of confidence in ourselves and our nation. Independence will release a period of energy, effort and ambition which has the power to realise our hopes and expectations and transform our country.

Independence is not an end in itself. The Scottish Government wants us to have the powers of independence so that people who live here can build a different and better Scotland, where the many benefits of our rich and vibrant society are cherished and shared and where we work together to advance our nation as a whole.

At the heart of the case for independence are the principles of democracy, prosperity and fairness:

- the people of Scotland will always get governments we vote for
- we will control our own resources and make our own decisions about our economy
- we can decide how we use our wealth to benefit all the people in our society

If we vote for independence, the eyes of the world will be on Scotland as our ancient nation emerges – again – as an independent country. Scotland will become the 29th member of the European Union and the 194th member of the United Nations.

We can already all be proud of the democratic and peaceful process we are engaged in through the referendum. It shows the world that Scotland is ready to be a nation and will be a good and active global citizen.

At the first independent election on 5 May 2016, voters will have the chance to choose a government and policies for Scotland's future. Independence will give that government the powers it needs to build a more prosperous country and a fairer society.

Part Two – Scotland’s national finances

Scotland is a wealthy country and can more than afford to be independent. Our public finances have consistently been healthier than those elsewhere in the UK, giving us a strong platform upon which to build economic success and maintain strong services.

Over each of the last 32 years, estimates show Scotland has contributed more tax per head of population than the the UK as whole. Total Scottish tax receipts in 2011/12 (the latest year for which figures are available) were equivalent to £10,700 per head. This compares to a figure of £9,000 per head in the UK as a whole.

Taking tax and spending together, over the last five years Scotland’s public finances have been stronger than the UK as a whole by a total of £12.6 billion – almost £2,400 per head. Over the period from 2007/08 to 2011/12 the ratio of public spending to GDP was estimated to be lower for Scotland than in the UK as a whole.

On independence in 2016, Scotland’s estimated financial position will continue to be healthier than the UK as a whole. We will set out on a firm financial footing. The Government has identified measures to raise revenue and reduce spending that will provide scope for our immediate priorities for action: transformation of our childcare system, ending the “bedroom tax”, and competitive business taxation.

Part Three – The opportunities of independence

Economy

Even without North Sea oil and gas, GDP (national economic output) per head in Scotland is virtually identical to that of the UK as a whole. With oil it is almost one-fifth bigger.

The Scottish economy has key strengths in growth industries such as food and drink, energy, creative industries, tourism and life sciences. Per head of population we have more top universities than any other country in the world. We perform strongly as a location for inward investment and we have a strong financial services industry.

The economic choice in the independence referendum is therefore how to build on this sound economic base to create sustainable jobs, ensure that more people share in Scotland's wealth and build long-term resilience and security in our economy.

Under the Westminster system Scotland is treated as a regional economy within the UK. Our ability to meet future challenges and seize opportunities is constrained and many major decisions are taken by Westminster. Currently, the Scottish Parliament is responsible for just 7 per cent of taxes raised in Scotland; new tax powers will only increase this to around 15 per cent. With independence Scotland will control 100 per cent of our resources.

Under the Westminster system, Scotland is also locked in to one of the most unequal economic models in the developed world: since 1975 income inequality among working-age people has increased faster in the UK than in any other country in the OECD. The increasing geographical imbalance concentrates jobs, population growth and investment in London and the South East of England, but no action has been taken to address this by successive Westminster governments.

The UK economic model is also vulnerable to instability. The UK recession and recovery has been more prolonged and damaging than first thought and debt levels remain amongst the highest in the developed world.

The gap between rich and poor, the increasing concentration of economic activity in one part of the UK and the imbalances in the structure and composition of the UK economic model all suggest that continuing as a regional economy will hamper job creation in Scotland and reduce economic resilience and security in the long-term.

The Scottish Government believes that Scotland needs to become independent to address these issues. Only independence provides the opportunity to build an economy to take advantage of our unique strengths and size, and to deliver a more prosperous, resilient and fairer Scotland, fully engaged in Europe and the wider world.

The Scottish Government plans to use the powers of independence to achieve higher levels of growth and job opportunities through:

- a strong external focus on competing in the global economy
- promoting areas of comparative advantage to develop a distinctive economy
- emphasising innovation, technology and manufacturing
- fostering high levels of trust and reducing income inequality, encouraging a stronger and shared sense of national purpose
- improving workforce skills and opportunities, particularly for women and young people

Our priorities would include:

- increasing female and parental participation in the workforce through a transformational expansion in childcare provision
- giving Scottish businesses a competitive edge by providing a clear timetable for reducing corporation tax by up to three percentage points; and improving international connectivity by cutting Air Passenger Duty by 50 per cent
- introducing a package of employment measures designed to improve company performance and develop a greater sense of cohesion and opportunity in the workplace, including employee representation and greater female participation on company boards

- examining how to help small businesses, for example with their national insurance contributions

We plan to establish a Fair Work Commission which will guarantee that the minimum wage will rise at the very least in line with inflation and provide advice on fairness at work and business competitiveness. The Commission will work with a Convention on Employment and Labour Relations to transform the relationship between government, employers and employees.

Currency

The pound is Scotland's currency just as much as it is the rest of the UK's.

The expert Fiscal Commission Working Group concluded that retaining Sterling as part of a formal Sterling Area with the UK would be the best option for an independent Scotland and the rest of the UK.

The Scottish Government agrees with that view. Using Sterling will provide continuity and certainty for business and individuals, and an independent Scotland will make a substantial contribution to a Sterling Area. We will therefore retain the pound in an independent Scotland.

Taxation

With independence the Scottish Parliament will make decisions about all aspects of taxation. Independence will provide an opportunity to design a Scottish tax system based on specific Scottish circumstances, preferences and principles.

Tax rates and allowances will be set by future governments in an independent Scotland. As Scotland's public finances are healthier than those of the UK as a whole, there will no requirement for an independent Scotland to raise the general rate of taxation to fund existing levels of spending.

As well as the changes to business taxation outlined above, the current Scottish Government would make the following changes to personal taxation during the first term of an independent Scottish Parliament:

- we will ensure that the personal tax allowance and tax credits increase in line with inflation
- we will end the proposed tax allowance for some married couples which does not help all families and parents
- we will abolish the Shares for Rights scheme which offers tax incentives to those giving up employment rights, creating tax avoidance opportunities and risks to employees
- we will simplify the tax system to reduce compliance costs, streamline reliefs and help to reduce tax avoidance, with a target revenue gain of £250 million a year by the end of the first term

Transport

Scotland's geographical position makes strong international and cross-border transport links vital for our economic success and our social wellbeing. Within the UK, Westminster focuses on the transport needs of London and the South East, as the plans for high-speed rail demonstrate. Independence will provide us with more choices for our transport system, and we will be able to decide our forward investment based on our own finances rather than within boundaries set by Westminster. We will be able to consider options such as different ownership models for the rail network, and address Scotland's international connections to the global marketplace, developing our air and sea access to the most important markets. We will also be able to consider tax measures to help transport in Scotland, like reducing Air Passenger Duty and examining the benefits of a Fuel Duty Regulator mechanism to stabilise prices for business and consumers.

Early years

Parents in the UK face some of the highest childcare costs in Europe. Parents in Scotland spend around 27 per cent of household income on childcare, compared to the OECD average of 12 per cent.

Independence will give us the opportunity to make a transformational change to the way that Scotland provides childcare services, which will allow parents, in particular women, to choose to work without worrying about the cost of looking after their children. With independence the benefits of their work – in economic growth and tax revenues – will stay in Scotland, contributing over time to the costs of this provision.

This Government plans a universal system of high quality early learning and childcare for children from the age of one to when they enter school. By the end of the first independent Scottish Parliament, every three and four year old and vulnerable two year old will be entitled to 1,140 hours of child care a year. This is the same amount of time as children spend in primary school in a year (the equivalent of 30 hours per week over 38 weeks).

This extension in the provision of early learning and childcare will be achieved in a way that is affordable and sustainable. It will include investment in training and require a substantial increase in the workforce. We estimate that it will create around 35,000 new jobs. The additional investment will also cover regulation, inspection and quality through Education Scotland, the Care Inspectorate and the Scottish Social Services Council.

Schools and universities

In Scotland's secondary schools, attainment levels have increased year-on-year. Substantial programmes of investment in new schools and teacher numbers have also been put in place. Scotland's schools are now implementing the Curriculum for Excellence to equip young people with the skills they need for the 21st century.

However, Scotland still has a long-standing problem with equality of attainment in our schools. Pupils from the most deprived 20 per cent of areas leave school with significantly lower qualifications than those in the least deprived 20 per cent. That gap is greater than most of the developed nations against which we measure ourselves. Independence gives us the opportunity to address this gap and the wider issues of deprivation and poverty which lie behind it.

Independence will also allow Scotland to protect the principle of free education, and the current Scottish Government guarantees that, on independence, Scottish students will continue to have free access to higher education.

We plan to continue to participate in the current common research area ensuring that Scotland's research continues to be available across the UK to benefit both Scotland and the rest of the UK. Scotland will pay our way within the common research area, and contribute to arrangements for research funding through the existing Research Councils.

State Pensions

The proportion of tax revenues taken up by social protection (including state pensions) is lower in Scotland than the UK, so these benefits are currently more affordable here.

We will ensure that current pensioners will receive their pensions as now, on time and in full. All accrued rights will be honoured and protected, and planned reforms will be rolled out, including the single-tier pension.

While we accept that the State Pension Age should rise to 66 according to the existing timetable, the Westminster Government's plan for a rapid move to 67 is a concern. The timetable is significantly faster than that announced by the previous Westminster Government and it fails to take account of the fact that, due to lower life expectancy, Scots currently enjoy fewer years, on average, in receipt of state pensions than pensioners elsewhere in the UK.

This Scottish Government plans to:

- set up an Independent Commission on the State Pension Age to consider the appropriate State Pension Age for Scotland over the long term
- uprate the State Pension by the triple-lock from 2016. This means that pensions increase by average earnings, CPI inflation, or 2.5 per cent – whichever of these is highest – and provides protection for the value of pensions over time
- ensure that from 6 April 2016, new pensioners will receive a Scottish single-tier pension, set at the rate of £160 per week – £1.10 a week higher than the rate currently expected for the UK

- retain the Savings Credit (the full Savings Credit payment is currently £18 per week for a single person) benefiting around 9,000 low income pensioners

Private and public service pensions

This Scottish Government supports the continued roll-out of automatic enrolment, introduced last year, to help address the historic decline in private pension saving. With independence, we would establish a Scottish Employment Savings Trust to provide a workplace pension scheme focused on people with low to moderate earnings, which will accept any employer wishing to use it.

In an independent Scotland, all public service pension rights and entitlements will be fully protected and accessible.

The organisation and infrastructure needed to pay state and public sector pensions is already in place in Scotland, through the pensions centres in Motherwell and Dundee, the Scottish Public Pensions Agency and the local authority teams that manage public sector pensions.

Social protection

In an independent Scotland we envisage a welfare system based on clear principles and values: support for people who work; a safety net for people who cannot work; and a climate of social solidarity.

The current Westminster Government's approach to welfare has consistently been rejected by a majority of Scottish MPs and MSPs. If we leave welfare in Westminster's hands, our welfare state is likely to be changed beyond recognition. Universal Credit and Personal Independence Payments have suffered from controversy and delay, and have created significant anxiety amongst some of our most vulnerable people. The unfairness of the "bedroom tax" is well known.

We believe it is possible to design an efficient and fair welfare system that meets the needs of those who depend on it, and treats them with dignity and respect while supporting those who can to find work.

Following independence, the immediate priorities will be to reverse the most damaging and counterproductive of the UK welfare changes. On independence the current Government will:

- abolish the “bedroom tax” within the first year of the first year of the independent Scottish Parliament
- halt the further roll out of Universal Credit and Personal Independence Payments in Scotland
- ensure that benefits and tax credits increase at least in line with inflation to avoid the poorest families falling further into poverty

If there is a vote for independence in the referendum, the Scottish Government will ask the Westminster Government to stop the roll-out in Scotland of Universal Credit and Personal Independence Payments immediately. This will give the Scottish Government elected in 2016 maximum flexibility to reform the welfare system in line with Scotland’s priorities.

Health

In an independent Scotland, we will continue to provide high quality, world-leading health and social care in a way that reflects the founding principles of the NHS and our social care services.

Scotland faces long-standing challenges in health outcomes which are strongly associated with economic and social disadvantage. With independence, Scotland can work towards a fairer society that will address these health inequalities.

Independence will not affect the day-to-day management of the NHS in Scotland, nor how people access NHS services. Similarly, it will not mean ending current cross-border arrangements with health services in the rest of the UK, which have continued even though the NHS in Scotland already operates independently.

International relations

An independent Scotland will have a firm commitment to international partnership and co-operation, not only in these Isles, but also in the EU and other international organisations, to secure shared interests and protect Scotland’s people and resources.

Scotland and the rest of the UK will have a close and constructive relationship both at home and on many foreign policy issues. The current Scottish Government would intend to support the rest of the UK in maintaining its seat on the UN Security Council.

We plan to establish a network of overseas embassies and consulates to represent Scotland's interests internationally.

We estimate that the running costs of our initial proposed network of 70 to 90 overseas missions will be £90-120 million. This is expected to be below Scotland's population share of the UK's total expenditure on overseas representation in 2016/17, giving opportunities for savings. Scotland would also be entitled to a fair share of the UK's assets.

European Union

The Scottish Government, supported by the overwhelming majority of Members of the Scottish Parliament, believes that membership of the EU is in the best interests of Scotland. It is our policy, therefore, that an independent Scotland will continue as a member of the EU.

Following a vote for independence, the Scottish Government will immediately seek discussions with the Westminster Government and with the member states and institutions of the EU to agree the process whereby a smooth transition to full EU membership can take place on the day Scotland becomes an independent country.

We will approach EU membership negotiations on the basis of the principle of *continuity of effect*. That means that Scotland's transition to independent membership will be based on the EU Treaty obligations and provisions that currently apply to Scotland under our present status as part of the UK. It will avoid disruption to Scotland's current fully integrated standing within the legal, economic, institutional, political and social framework of the EU.

While the Scottish Government recognises the political and economic objectives of the Eurozone, an independent Scotland will not seek membership. Scotland's participation in the Sterling Area will not conflict with wider obligations under the EU Treaties.

Nor will we seek membership of the Schengen area. Instead, an independent Scotland will remain part of the Common Travel Area (CTA) with the rest of the UK, Ireland, the Isle of Man and the Channel Islands. The CTA, which dates back to the early 1920s, is part of the broader “social union” that is the expression of the close economic, social and cultural ties across the nations of these islands.

International development

Part of being a good global citizen is a commitment to international development. In line with the target recognised by the United Nations as long ago as 1970, we plan to spend 0.7 per cent of Gross National Income on Official Development Assistance, and to enshrine it as a binding, statutory commitment.

Defence

By removing nuclear weapons and maintaining defence forces appropriate to our circumstances, we can save a substantial proportion of Scotland’s current defence contribution to the UK, while still having levels of defence spending that allow us to deliver the capabilities we need and make a significant investment in procurement, supporting key Scottish industries including the shipbuilding industry.

Following a vote for independence, we would make early agreement on the speediest safe removal of nuclear weapons a priority. This would be with a view to the removal of Trident within the first term of the Scottish Parliament following independence.

Following a vote for independence in 2014, the Scottish Government will notify NATO of our intention to join the alliance and will negotiate our transition from being a NATO member as part of the UK to becoming an independent member of the alliance. Scotland would take our place as one of the many non-nuclear members of NATO.

The current Scottish Government has identified five defence priorities for an independent Scotland:

- maintaining the commitment to a budget for defence and security in an independent Scotland of £2.5 billion

- securing the speediest safe withdrawal of nuclear weapons from Scotland
- building a focus on maritime capabilities, such as air and sea-based patrol, and specialist forces able to operate around our coasts, protecting Scotland's maritime assets and contributing to collective security in the North Atlantic
- progressively building to a total of 15,000 regular and 5,000 reserve personnel following independence
- reconfiguring the defence estate inherited at the point of independence to meet Scotland's needs, including the transition of Faslane to a conventional naval base and joint headquarters of Scottish defence forces

We are prepared to negotiate arrangements for the continued use of defence infrastructure in Scotland by UK forces and vice versa, at least for a transitional period. Such arrangements could be carried forward into the longer term, where both the countries consider them the most effective means of delivering defence capabilities.

Justice

It is our more deprived communities that suffer most from the impact of crime and are most vulnerable to the influence of organised crime. An independent Scotland will have control over policy on welfare, employment and public expenditure. As a result, rather than just dealing with the consequences of crime and disadvantage through the criminal justice system, an independent Scotland will be able to use the full range of powers available to government to make our communities safer, stronger and more secure.

There are some specific issues that would become the responsibility of the Scottish Parliament on independence, such as firearms, drugs – including the proceeds of drug trafficking – and gambling. Responsibility for these will allow Scotland to take an integrated approach to issues that affect our communities.

Security

An independent Scotland will have national security arrangements that reflect Scotland's needs, values and the risks and threats we face, based on a full review of security requirements and a regular cycle of threat assessments.

A new security and intelligence agency will have a range of responsibilities focused on intelligence-gathering, analysis and reporting, assessment of risk and threat, cyber security and protection of critical infrastructure. Although independent, it would work closely with Police Scotland.

Given the interest of both Scotland and the rest of the UK in our mutual security, the Scottish Government will work closely with the current UK security and intelligence agencies both to ensure that there is a seamless, secure transition and for the continuing security of both countries.

Immigration

Scotland's differing demographic and migration needs mean that the current UK immigration system has not served our interests.

This Government plans, following independence, a points-based immigration system, targeted at particular Scottish needs. The system will enable us to meet the needs of Scottish society with greater flexibility. For example, it could provide incentives to migrants who move to live and work in remoter geographical areas – assisting with community sustainability, or adding new categories of skills.

We will also reintroduce student visas removed by Westminster to encourage more talented people from around the world to further their education in Scotland, providing income for Scotland's education institutions and contributing to diversity.

Citizenship and passports

In taking forward the result of a vote for independence, we will ensure that British citizens "habitually resident" in Scotland on independence will automatically be considered Scottish citizens. This will include British citizens who hold dual citizenship with another country. Scottish-born British citizens currently living outside of Scotland will also automatically be considered

Scottish citizens. Other people will be able to register or apply for Scottish citizenship on independence based on clear criteria.

All Scottish citizens will have the right to acquire a Scottish passport, although there will be no requirement to hold one. We plan that citizens will be able to apply for Scottish passports from the date of independence.

Rural Scotland

Scottish farmers, crofters and rural and remote communities should be able to compete on a level playing field with their counterparts across Europe.

The interests of rural Scotland have been repeatedly traded off against other UK priorities in EU negotiations where Scotland has no direct voice.

Successive Westminster governments have argued for a significant reduction in agricultural support payments despite Scotland's already low share of funding and the need for support given our geographical and climatic challenges. These payments are vital to ensure our farmers and crofters continue to produce food, deliver environment benefits and sustain our rural communities.

An independent Scotland will engage with the EU as an independent member state to secure a fairer return, boosting support to Scotland's farmers, increasing business start-up assistance for young farmers, supporting more infrastructure investments in broadband and renewables, and providing greater investment in rural tourism.

As an independent member state, Scotland will be negotiating as one of the foremost and most respected fishing nations in Europe. This status will give Scotland the opportunity to take a leadership role in reforming the Common Fisheries Policy to deliver fisheries management at regional and Member State level and to keep Scottish quota in Scotland.

Food and drink

Scotland's Food and Drink sector contributes 18 per cent of our overseas exports, but less than 1.5 per cent of overseas exports for the UK as a whole. Scotland's food and drink industry does an excellent job promoting the Scottish brand, but Scotland is constrained by the current constitutional settlement from directly engaging on a level footing with other countries. Independence will boost Scotland's international profile, delivering new opportunities for food and drink exports, as well as attracting new visitors to our country to enjoy our produce.

Energy

Scotland is an energy-rich nation. We have the largest oil reserves in the EU as well as huge renewable energy potential. But under successive Westminster governments our energy wealth has not been invested, instead it has gone straight to the UK Treasury.

Independence gives Scotland the opportunity to harness this energy wealth for the people of Scotland. With independence we can ensure that taxation revenues from oil and gas support Scottish public services, and that Scotland sets up an Energy Fund to ensure that future generations also benefit from our oil and gas reserves. The principles of stability and certainty that will guide this Government's approach will guarantee new investment in energy: we have no plans to increase the overall tax burden on the oil industry and no changes will be made to the fiscal regime without consultation.

A well-functioning energy market, delivering the best outcome for consumers, is a prerequisite for a flourishing economy and society. With our plans for independence, Scotland's substantial energy resources and balanced generation mix will provide enhanced security of supply, greater long-term stability in energy prices, decarbonisation of electricity generation, the protection and creation of jobs and further community empowerment. We propose that a single GB-wide market for electricity and gas will continue, helping the rest of the UK secure its supply and meet its renewables obligations, provided that the system also meets Scottish requirements for security of supply.

The government of an independent Scotland will be able to use all the powers available to us to help people with their energy bills. The current Scottish Government intends to meet the costs of programmes like the Energy Company Obligation and Warm Homes Discount from central resources. This will allow energy companies to reduce bills to consumers by around five per cent.

Culture

In an independent Scotland we will build on our cultural ambitions for Scotland. Our approach has been, and will continue to be, distinct from that of Westminster in that we recognise the intrinsic value of culture and heritage, and do not just value them for their economic benefit, substantial though that is. We view culture and heritage as fundamental to our wellbeing and quality of life. Our ambition is to build an independent nation where our cultural and historic life can continue to flourish. With independence we will have new powers over the economy to encourage our culture and creative sectors. And the process of becoming independent will, itself, stimulate new creativity and energy in Scotland.

An independent Scotland will enjoy increased opportunities to build our international reputation for culture, heritage and creativity. The development of a Scottish overseas diplomatic and trade network will provide Scotland with the opportunity to promote and share our culture and traditions with nations across the world.

Broadcasting

Independence will create new opportunities in broadcasting and production in Scotland. A new publicly funded, public service broadcaster should help strengthen our democracy, encourage production and participation. It should be a trusted, reliable, impartial source of information and reflect the diversity of the nation and our world to the people of Scotland, and it should seek opportunities to collaborate beyond our borders to pioneer innovation in entertainment, education and journalism.

Following independence the Scottish Government plans to honour all existing TV and radio broadcasting licences to their expiry, maintaining access to all the existing programming and content that people currently enjoy.

Alongside the commercial channels serving Scotland, we plan to create a new public service broadcaster, the Scottish Broadcasting Service (SBS), which will initially be based on the staff and assets of BBC Scotland. Over time the SBS would develop services to reflect the broad interests and outlook of the people of Scotland. Broadcasting on TV, radio and online, the SBS will be funded by licence fee, which on independence will be the same as the UK licence fee. All current licence fee payment exemptions and concessions will be retained. We propose that the SBS enters into a new formal relationship with the BBC as a joint venture, where the SBS would continue to supply the BBC network with the same level of programming, in return for continuing access to BBC services in Scotland. This will ensure that the people of Scotland will still have access to all current programming, including *EastEnders*, *Dr Who*, and *Strictly Come Dancing* and to channels like CBeebies.

Part Four – Transition

Between the referendum in 2014 and independence in 2016

The period between the referendum and independence will see negotiations with the rest of the UK, represented by the Westminster Government, and with the EU and other international partners and organisations. **Following these preparations and negotiations, Scotland will assume our status as an independent country on 24 March 2016.**

Following a vote for independence in 2014, agreements will be made between the Scottish and Westminster Governments, in the spirit of the Edinburgh Agreement, setting the parameters for Scotland's transition to independence. These will:

- set out the precise timetable towards independence day in 2016
- determine the principles, process and timetable for the negotiation and conclusion of the agreements which will form the final independence settlement
- provide the Scottish Government and Scottish Parliament with the legal powers they need to prepare for independence

Soon after a vote for independence, we will seek a transfer of the necessary powers to the Scottish Parliament so that it can establish the constitutional platform for an independent Scotland – the laws and administrative arrangements to establish Scotland as an independent state.

In addition to discussions with the UK, negotiations will be held with the EU in advance of independence to settle the terms of an independent Scotland's continuing membership.

The final agreement with the rest of the UK will cover a range of matters, including the approach to assets and liabilities and the delivery of services. The over-riding priority will be the seamless delivery of public services to citizens of both countries.

The apportionment of the UK national debt will be negotiated and agreed. The national debt could be apportioned by reference to the historic contribution made to the UK's public finances by Scotland, or on the basis of our population share. We may choose to offset Scotland's share of the value of UK assets against our inherited debt. On any realistic calculation Scotland's inherited debt is projected to be a lower proportion of GDP than is the case for the UK as a whole.

Government and Civil Service

Independence will see the Scottish Government develop new functions as it takes on the responsibilities of serving an independent country. Scotland already has a civil service that is politically impartial, appointed on merit and supports the elected government of the day. If the present Scottish Government is re-elected we plan to spread government jobs and decision-making, delivering the direct economic benefits of independent government to more parts of Scotland.

The Westminster Government employs nearly 30,000 civil servants in Scotland at present. On independence many will transfer to the employment of the Scottish Government and its agencies. We will work with the Westminster Government to preserve continuity of employment for all staff, either by transfer to the Scottish Government or through continued employment by the Westminster Government where it still requires their skills.

A modern constitution

Independence provides an opportunity to modernise Scottish democracy on the basis of a written constitution setting out the way the country is governed and the rights of its citizens.

The Scottish Government believes a constitutional convention will ensure a participative and inclusive process by which the people of Scotland, as well as politicians, civic society organisations, business interests, trade unions, local authorities and others, can have a direct role in shaping the constitution.

The Scottish Government will be just one of many voices contributing to the debate and helping to shape Scotland's written constitution. However, there are certain provisions that the Government believes should be considered by the constitutional convention, such as equality of opportunity and the right to live free of discrimination and prejudice, a constitutional ban on nuclear weapons being based in Scotland, and certain social and economic rights, such as the right to education, the right to healthcare and protections for children.

The Monarchy and the Crown

On independence Scotland will be a constitutional monarchy, continuing the Union of the Crowns that dates back to 1603, pre-dating the Union of the Parliaments by over one hundred years. On independence in 2016, Her Majesty The Queen will be head of state.

Earlier in 2013, the rules on succession to the Crown (as they affect Scotland and elsewhere) were amended to remove outdated gender discrimination. This Government intends to support, and promote amongst the other Commonwealth States with the Queen as head of state, a similar measure to remove religious discrimination from the succession rules.

Top questions and answers

We know that you want to know as much as possible about an independent Scotland and what it will mean for you, your family and Scotland as whole. You can find answers to some of the most common questions here, with cross-references to the relevant sections of the guide. In Part 5 we answer 650 detailed questions we have been asked about independence.

Why should Scotland be independent?

Independence means Scotland's future will be in Scotland's hands. It means we can make more of Scotland's wealth, talent and resources for the benefit of the people who live in Scotland through a stronger economy, more jobs and people getting a fairer return for their hard work and efforts.

It will allow Scottish governments to do specific things like improve childcare, make the tax system fairer, cut energy bills and scrap the "bedroom tax".

Independence is about improving the quality of life for all people across Scotland. We will be able to take decisions on our economy designed for Scotland's particular needs and based on our own priorities.

Similar countries to Scotland have seen higher levels of economic growth over the past generation. That is because they have the bonus of being independent and are able to make the right choices for their nation and economy. If Scotland had matched the levels of growth of these other independent nations between 1977 and 2007, GDP per head in Scotland would now be 3.8 per cent higher, equivalent to an additional £900 per head.

Can Scotland afford to be independent?

Yes. Scotland is one of the wealthiest nations in the world. In terms of our total economic output per head we ranked eighth out of the 34 developed countries in the OECD in 2011. We raise more tax and our public finances have been stronger than those of the UK as a whole over the past 32 years.

Despite all these strengths, many families in Scotland are struggling to make ends meet. We are a wealthy country and yet the full benefit of our vast wealth is not felt by the people who live and work here. With independence, we can make sure Scotland's wealth and resources work better for the people of Scotland.

To find out more about Scotland's public finances go to Chapter 2.

[What will happen to my pension?](#)

Under our plans your state pension and any personal or occupational pensions will be paid in the same way as they are today. The rights you have accrued will be protected. Scotland is better able to afford pension and welfare payments than the rest of the UK. Social protection (which includes pensions and benefits) takes up a smaller share of our national output and our tax revenues than it does in the UK as a whole.

Under the Scottish Government's proposals you will, as a minimum, receive the same state pension payments on independence as in the rest of the UK. The current Scottish Government also proposes some added protections.

Given that life expectancy for both men and women in Scotland has consistently remained below the UK level, the present Scottish Government is committed to reviewing the Westminster Government's plan to speed up the timetable for increasing the State Pension Age to 67 between 2026 and 2028.

You can find out more about the state pension in Chapter 4.

[Will independence change the tax I pay?](#)

The process of independence itself will not change the tax rates we pay. As Scotland's public finances are healthier than those of the UK as a whole, there will no requirement to raise the general rate of taxation to fund existing levels of spending after independence.

However, being able to make changes to the tax system is one of the advantages of independence. If the present Scottish Government is elected in 2016 as the first government of an independent Scotland, our first budget would:

- increase tax allowances and tax credits in line with inflation
- simplify the tax system to reduce compliance costs, streamline reliefs and help to reduce tax avoidance, with a target revenue gain of £250 million per year by the end of the first term
- end the proposed tax allowance for some married couples, which does not benefit all parents or families
- abolish the UK's Shares for Rights scheme which encourages tax avoidance

You can find out more about tax in an independent Scotland in Chapters 2 and 3.

Who will form the government of an independent Scotland?

The first government of an independent Scotland will be elected at the next Scottish election in May 2016.

The 2016 elections will happen in the same way as previous elections, with both constituency and regional MSPs elected. The votes cast in 2016 will determine which party or parties form the government. That could be SNP, Scottish Labour, or any other party – or coalition of parties – that secures the support of the electorate. It will be for the people of Scotland to decide.

To find out more about an independent government and parliament go to Chapter 10.

Will Scotland be a member of the EU?

Yes. It is the current Scottish Government's policy that Scotland remains part of the European Union. Between a Yes vote in 2014 and independence day, Scotland will agree the terms of our continuing membership of the EU. This will happen while we are still part of the UK and part of the EU, ensuring a smooth transition to independent membership.

You can find out more about Scotland in the EU in Chapter 6.

How can you guarantee our future security?

Scotland will have our own defence forces to protect Scotland and its seas. The present Scottish Government is committed to NATO membership.

The current Scottish Government will ensure a strong conventional military presence on Scottish soil and in Scottish waters, but we will ensure that nuclear weapons on the Clyde are removed. To find out more about defence go to Chapter 6.

Scotland will also be more financially secure. The lessons from the financial crisis are being learned and across the world new rules are being put in place to reduce and where possible remove the risks that led to the crisis of 2008. There are more details in Chapter 3.

An independent Scotland will also have one of the best safety nets for the future with our offshore energy reserves providing a guarantee that we can protect ourselves in hard times.

We will establish an Energy Fund, which will save a proportion of our current oil wealth for future generations. You can find out more about Scotland's Energy Fund in Chapter 8.

Will we be able to keep the pound or will we be forced to join the euro?

Scotland will continue to use the pound, just as we do today. The Scottish Government's expert advisers, the Fiscal Commission, have set out a clear framework for this. It will be in the interests of the rest of the UK as well as Scotland. You can find out more about the currency in Chapter 3.

EU law sets down a series of conditions a country must meet before it can join the euro. This includes entering the Exchange Rate Mechanism (ERM) II. Joining ERM II is voluntary and that means Scotland cannot be forced to join the euro. To find out more about Scotland in the EU go to Chapter 6.

How can Scotland be independent if we keep the pound?

Independent countries around the world share currencies. Countries like France, Germany, and the Netherlands do not have their own currency but are clearly independent, and control their own resources. This approach makes sense for Scotland and the rest of the UK, because it will make it easier for us to trade with each other and will also mean that our mortgages and pensions continue to be in pounds and pence, just as they are today.

To find out more about keeping the pound, go to Chapter 3.

Will it cost too much to become independent?

No. Scotland already pays our share of the cost of UK-wide services, like the benefits system and the tax system. We pay our share of the UK's armed forces and overseas embassies. After independence we will no longer be paying for these UK services and bodies, but will use the money to pay for our own Scottish equivalent. We propose to save money on some things like defence as we will not be paying towards the UK's nuclear weapons. So money that we currently send to Westminster to be spent in other parts of the UK – or on things we in Scotland do not want – will stay in Scotland to invest in a modern and efficient system of government for our newly independent country, and to pay for things that we do want. We might decide to continue to share some services with the UK, at least for a transitional period.

You can find out more about the transition to independence in Chapter 10.

What makes you think an independent Scotland will be a fairer country?

The sort of country we become will be up to the people of Scotland. Scotland has all the wealth it needs to be a fairer country. We are one of the richest nations on the planet and could choose to use that wealth in a different way from Westminster. For example, we can choose to invest in childcare instead of spending money on nuclear weapons. We can choose not to impose the “bedroom tax” and to have a more

efficient tax system that ensures everyone pays their fair share. With independence we can make different choices in line with our values and the views of the people of Scotland.

To find out more about the democratic opportunities of independence, go to Chapter 1.

You can find out more about social justice in an independent Scotland at Chapter 4.

What will independence deliver for me?

With independence the Scottish Parliament will have all the powers we need in Scotland to make life better for the people who live here. The present Scottish Government's policies for an independent Scotland include:

- delivering a transformational change in childcare so that over time, every child from age one to starting school is guaranteed 30 hours of provision for 38 weeks of the year. This will reduce costs for families and improve support for people with children to return to work (see Chapter 5)
- reducing your energy bills by around five per cent by moving the costs of some environmental schemes from your energy bill and funding them from central government resources (see Chapter 8)
- protecting your state pension, with stronger guarantees that the real value of your pension will not fall (see Chapter 4)
- ensuring that the minimum wage rises in line with inflation (see Chapter 3)
- protecting the value of benefits, tax allowances and tax credits by uprating these in line with inflation (see Chapter 3)
- building a fairer Scotland by stopping the roll out of Universal Credit, scrapping the “bedroom tax” and halting some of the most damaging welfare changes being introduced by the Westminster Government (see Chapter 4)

What will happen to our relationships with the other parts of the UK?

Scotland will continue to have a close and special relationship with the other nations of these isles. This will be a new, updated partnership of equals between the people of Scotland and the rest of the UK.

Under our proposals, we will keep our close links of family and friendship through a continuing social union and will continue to share the Queen as head of state (as 16 Commonwealth countries currently do) and share the pound as our currency. We'll be equal partners within the EU and as part of a common defence partnership in NATO.

But independence will end the parliamentary union and that means we will no longer send MPs to Westminster. Decisions about Scotland's future and about our economy and society will be taken here. The people of Scotland will be in charge.

To find out more about our continuing special relationship with England, Wales and Northern Ireland, go to Chapter 6.

What about a Scottish passport?

Our proposals for independence mean that, as a Scottish citizen you will be entitled to a Scottish passport. A Scottish passport will cost the same as a UK passport and you will be able to continue using your existing UK passport until it is the normal time for you to change it. To find out more about passports and citizenship, go to Chapter 7.

Scotland is already part of a Common Travel Area (CTA) with the rest of the UK, Ireland, the Channel Islands and the Isle of Man, which dates back to the 1920s. We plan to remain part of the CTA which means that there will be no border controls, and you will not need a passport to travel to other parts of the UK, Ireland, the Channel Islands and the Isle of Man (although of course some airlines require proof of identity for domestic flights). You can read more in Chapter 6.

How will we become independent?

Scotland will become independent if the people of Scotland vote Yes in the referendum on 18 September 2014. After a vote for independence, the Scottish Government will reach agreement with the Westminster Government and the EU on arrangements for the transition to independence, based on our proposed date of **24 March 2016**. You can find out more about the transition to independence in Chapter 10.

Will we keep The Queen?

Yes. The Queen will remain head of state in Scotland. An independent Scotland will have a written constitution which sets out how we are to be governed. There are more details about government and parliament in an independent Scotland in Chapter 10.

What about our share of the national debt?

Scotland and the rest of the UK will agree a share of the national debt. This could be by reference to the historical contribution made to the UK's public finances by Scotland. An alternative approach would be to use our population share. Either way, our share of the UK's debt is projected to be smaller as a proportion of our economic output than for the UK as a whole, which means Scotland is better placed for the future.

However, we will also be entitled to a fair share of the UK's assets, which are estimated to be worth £1,267 billion. We may choose to offset part of our share of UK assets against the debt we agree to take on from the UK.

To find out more about our share of the UK debt and how we will manage it, go to Chapter 10.

What will happen to the benefits and tax credits I receive?

On independence you will continue to receive benefit payments and tax credits in the same way as you do now. Becoming independent will not, in itself, change your entitlement. However, future Scottish governments can choose to do things differently from the UK. For example, this Government will stop the damaging changes to our welfare system being introduced by Westminster. We will scrap the "bedroom tax" and stop

the roll out of Universal Credit and Personal Independence Payments. You can see more of our proposals for a fairer welfare system in Chapter 4.

Will civil servants working in UK departments still have jobs?

Independence will mean the civil service in Scotland will cover a range of services currently provided by Westminster. Responsibility for services such as benefits will transfer to the Scottish Government. New jobs will be created for services currently delivered from other parts of the UK. We will work with the Westminster Government to preserve continuity of employment for all staff, either by transfer to the Scottish Government or through continued employment by the Westminster Government where it continues to require their skills. The pension entitlements and other terms and conditions of employment of civil servants transferring from the Westminster Government will be fully honoured. Staff who transfer will join a skilled and diverse workforce in the civil service in Scotland, which is based on the principles of honesty, integrity, objectivity and impartiality, committed to good employment practice and with a continued commitment to no compulsory redundancies.

You can find out more about our plans for the public sector in Scotland in Chapter 10.

Is it Scotland's oil and gas?

The vast bulk of oil and gas in the UK comes from the Scottish part of the UK Continental Shelf and will be in Scotland after independence. Analysis tells us that in excess of 90 per cent of the oil and gas revenues are from fields in Scottish waters (based on well-established principles of international law). To find out more, go to Chapter 8.

Do we depend on oil and gas to become independent?

No. Scotland's economic output per head, even without oil and gas, is virtually the same as the UK as a whole. So oil and gas is a bonus. When we include the output of the North Sea, Scotland produces almost a fifth more per head than the UK average.

SUMMARY

Oil and gas revenues make up 15 per cent of Scotland's overall public sector receipts, compared to 30 per cent for Norway and yet Norway has prospered and has a oil fund worth £470 billion.

To find out more about our oil and gas wealth, go to Chapter 8.

PART

1

CHAPTER

1

THE CASE FOR INDEPENDENCE



GAINS OF INDEPENDENCE

ECONOMIC
POLICY AIMED AT
ECONOMIC
STABILITY AND
JOB SECURITY IN
SCOTLAND

ABILITY
TO USE OUR
OIL WEALTH
FOR FUTURE
GENERATIONS
BY VALUE
THERE IS ESTIMATED
TO BE AS MUCH
NORTH
SEA OIL
STILL TO COME
AS HAS ALREADY
BEEN EXTRACTED

AN INDEPENDENT
PARLIAMENT
ELECTED
ENTIRELY BY
PEOPLE IN
SCOTLAND

ECONOMIC
POLICY CAN
BE TAILORED
TO TAKE ADVANTAGE
OF SCOTLAND'S
WORLD-CLASS
UNIVERSITIES
AND KEY GROWTH
INDUSTRIES LIKE
FOOD & DRINK
LIFE SCIENCES
AND **TOURISM**

SCOTTISH
PARLIAMENT
HAS POWER TO
STOP
SERVICES BEING
PRIVATISED

DECISIONS
ABOUT
SCOTLAND
WILL BE TAKEN
BY THE PEOPLE
WHO CARE
MOST ABOUT
SCOTLAND
THOSE WHO
WORK &
LIVE HERE

TAXES
FROM PEOPLE IN
SCOTLAND
NO LONGER
USED TO PAY
FOR NUCLEAR
WEAPONS

A **GUARANTEE**
THAT TAX
AND **SOCIAL**
SECURITY
RATES WILL
BE SET IN LINE WITH
THE WISHES OF
THE PEOPLE OF
SCOTLAND

ACCESS TO OUR OWN
RESOURCES
DECISIONS ABOUT LEVEL
AND ALLOCATION OF PUBLIC SPENDING
WILL BE TAKEN HERE IN SCOTLAND

Since the Scottish Parliament was re-established in 1999, responsibility for governing Scotland has been split.

The Scottish Parliament and Scottish Government in Edinburgh are responsible for a range of “devolved” matters, including the National Health Service, education, justice, social services, housing, the environment, farming, fisheries and aspects of transport.

The Westminster Government – currently a coalition of the Conservative and Liberal Democrat parties – and the Westminster Parliament have “reserved” responsibilities including defence, foreign affairs, macroeconomic policy, the welfare system, financial and business regulation and most aspects of taxation (see Annex B).

Taxes raised in Scotland pay for both governments, but our taxes generally go directly to Westminster¹. Devolved services are largely funded by a “block grant” determined by Westminster².

Under independence, the Scottish Parliament and Scottish Government would take over all Westminster’s remaining powers and responsibilities for Scotland. Decisions on economic policy, international relations, defence spending and priorities, social security benefits, taxation and other public spending would be made in Scotland by governments accountable to the Scottish people and not by Westminster governments we often do not support.

This chapter gives an overview of:

- why Scotland needs independence
- what Scotland will look like on independence
- what will happen between a Yes vote and Scotland becoming independent
- our financial and economic strengths
- the benefits of independence and the priorities for action of the current Scottish Government if it becomes the first government of an independent Scotland
- the consequences of Scotland voting No to independence

HOW SCOTLAND IS GOVERNED NOW

Constitution based on sovereignty of the Crown in Parliament
Her Majesty The Queen As Head of State



DEALING DIRECTLY WITH
OTHER GOVERNMENTS



NEGOTIATING TREATIES
ON SCOTLAND'S BEHALF



REPRESENTING SCOTLAND
INTERNATIONALLY



UK GOVERNMENT, INCLUDING
PRIME MINISTER AND SECRETARY
OF STATE FOR SCOTLAND FORMED BY
PARTY OF PARTIES WINNING MOST
SEATS IN HOUSE OF COMMONS
(SCOTLAND HAS 59 OUT OF 650 SEATS)



HOUSES OF PARLIAMENT



UPHOLDING
THE LAW OF

SUPREME COURT OF
THE UNITED KINGDOM



HOUSES OF COMMONS
(WITH 59 SCOTTISH
MPs OUT OF 650)

HOUSE OF LORDS,
MEMBERS APPOINTED
NOT ELECTED

HEARING APPEALS
ON CIVIL MATTERS
AND HUMAN RIGHTS
FROM

MAKES
DECISIONS

MAKES
LAWS

RESPONSIBLE FOR RESERVED ISSUES
LIKE TAX, WELFARE, FOREIGN AFFAIRS
AND DEFENCE

DEVOLVED POWERS
GIVEN IN 1998 & 2012

POWERS CAN BE ADDED
OR TAKEN AWAY

SCOTTISH COURTS:
COURT OF SESSION, HIGH COURT
OF JUSTICIARY AND OTHER
SCOTTISH COURTS



SCOTTISH GOVERNMENT
INCLUDING
FIRST MINISTER

RESPONSIBLE
TO



SCOTTISH PARLIAMENT,
ELECTED SOLELY BY
PROPORTIONAL
REPRESENTATION
("HOLYROOD")

MAKES
DECISIONS

MAKES
LAWS

RESPONSIBLE FOR DEVOLVED ISSUES LIKE HEALTH,
EDUCATION, LOCAL GOVERNMENT, JUSTICE,
THE ENVIRONMENT, HOUSING, SOCIAL WORK

HOW SCOTLAND WILL BE GOVERNED ON INDEPENDENCE

Constitution based on sovereignty of the people of Scotland
Her Majesty The Queen As Head of State



DEALING DIRECTLY WITH OTHER GOVERNMENTS



NEGOTIATING TREATIES ON SCOTLAND'S BEHALF



REPRESENTING SCOTLAND INTERNATIONALLY



SCOTTISH GOVERNMENT INCLUDING FIRST MINISTER



RESPONSIBLE TO



SCOTTISH PARLIAMENT, ELECTED SOLELY BY PROPORTIONAL REPRESENTATION ("HOLYROOD")



UPHOLDING THE LAW OF



COURT OF SESSION AND HIGH COURT OF JUSTICIARY ACTING AS THE SUPREME COURT OF SCOTLAND

MAKES DECISIONS

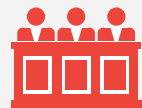


RESPONSIBLE FOR ALL ISSUES, INCLUDING HEALTH, EDUCATION, LOCAL GOVERNMENT, JUSTICE, THE ENVIRONMENT, HOUSING, SOCIAL WORK, TAX, WELFARE, FOREIGN AFFAIRS AND DEFENCE



MAKES LAWS

HEARING APPEALS FROM



OTHER SCOTTISH COURTS

Later chapters of this guide look at these issues in greater detail.

Why Scotland needs independence

The central purpose of independence is to make life better for people living in Scotland. Only a Scottish Parliament and Government will always be able to put the interests of the people of Scotland first. We only have to look at the track record of devolution since 1999 to know this is the case; these powers have been good for Scotland, but in those areas still controlled by Westminster there have been many costs for families and communities in Scotland.

Democracy, prosperity and fairness are the principles at the heart of the case for independence. Independence means that the people of Scotland will take responsibility for our future into our own hands. It will also give us the economic and social powers that any country needs to build a more prosperous and fairer society. As this guide will demonstrate, Scotland can afford to be independent.

Crucially, these principles work in harmony. If we transfer decision-making powers from Westminster to Scotland we are more likely to see policies that are in tune with the values of the people of Scotland, that close the gap between rich and poor, and provide greater opportunities for everyone in Scotland regardless of their background. We can build a fairer society. And in doing so we can create a more prosperous country because we know that successful countries are more equal and cohesive. They make full use of everyone's talents and have a sense of shared national purpose.

There are three over-riding reasons for Scotland to become an independent country. These are:

1. **To create a more democratic Scotland**

The Scottish Government believes that the people of Scotland are the ones who will do the best job of running our country. We will not get every decision right, but more often than not the choices we make for our economy and our society will be better for Scotland than those made at Westminster.

A Scottish Parliament with limited devolved powers has already shown what is possible. The Scottish Parliament has delivered free personal care for the elderly, kept our NHS in the public sector and restored free education for our students. With powers over our tax system, social security, immigration and defence, the Scottish Parliament will also be able to make better choices for Scotland on these issues.

With independence, Scotland will always get the governments we vote for. For 34 of the 68 years since 1945, Scotland has been ruled by Westminster governments with no majority in Scotland. Policies are imposed on Scotland even when they have been opposed by our elected Westminster MPs. Under the current Westminster Government this democratic deficit has resulted in:

- the privatisation of the Royal Mail
- unfair welfare changes such as the “bedroom tax”
- cuts in capital spending, harming economic recovery
- a commitment to spend as much as £100 billion on the lifetime costs of a replacement nuclear weapon system

Being able to decide our own government really matters. The costs of decisions being made at Westminster are being paid by families and communities across Scotland. Many of the consequences will be long-lasting: as a direct result of the Westminster Government’s welfare changes, the child poverty rate in Scotland is predicted to rise to 22.7 per cent, equivalent to an additional 50,000 children by 2020³. None of this needs to happen. These consequences are a direct result of Scotland getting governments we did not vote for.

With independence, Scotland will have the tools we need to turn our rich country into a rich society. This will require hard work and effort, but the prize is worth it: we can create a more prosperous, sustainable and successful future for our families, our nation and for ourselves.

2. To build a more prosperous country

Both before and after devolution, the key economic powers necessary to deliver growth and prosperity remained with Westminster. Control of taxation, public spending limits, regulation of business and industry, and competition policy all rest in London. Successive devolved Scottish governments have had considerable success in reducing unemployment, increasing employment and promoting inward investment. But the fundamental economic decisions that affect Scotland are taken in Westminster, often by governments that have no popular mandate in Scotland, and in the interests of an economy and society with different priorities from Scotland.

Scotland is blessed with a range of economic strengths and advantages: substantial natural resources, a strong international brand, world-class universities and research, and a range of world-leading industries including food and drink, life sciences, the creative industries, energy, tourism, insurance, wealth management and engineering.

Because of those strengths and advantages, our national output per head of population puts us near the top of the OECD⁴ – the association of the wealthiest countries in the world⁵.

Even without North Sea oil, Scotland's economy produces almost exactly the same amount of output per head as the rest of the UK. With oil and gas, we produce nearly a fifth more.

However, despite all of Scotland's strengths, over the past 30 years our economic growth rate has been lower than the UK average and lower than that of comparable nations across Europe (see Chapter 3). That reflects a number of factors, including lower population growth.

Our economic output is the product of our collective hard work and ingenuity as a nation, and reflects the many advantages we enjoy. Yet life expectancy is lower in

Scotland than in similar countries⁶, and poverty levels are too high⁷.

Nations that are similar to Scotland – such as Norway, Finland, Denmark and Sweden – sit at the top of world wealth and well-being league tables⁸. Unlike Scotland, they are independent and are able to take decisions in the best interests of their own economies. They do not leave the important decisions about their economy to parliaments whose interests necessarily lie elsewhere. That is their independence advantage and they have used it to build societies that deliver a higher quality of life for their citizens.

If Scotland moved from the rates of growth it has experienced in the past to instead match the levels of growth of other small European countries, the benefits for people in Scotland in terms of prosperity and employment would be significant. As an illustration, had Scotland's growth matched these other independent nations between 1977 and 2007, GDP per head would now be 3.8 per cent higher, equivalent to an additional £900 per head (see Chapter 3). We would also enjoy the higher revenues that accompany greater prosperity.

Independence would make the Scottish Parliament and Government responsible for the full range of economic powers. Decisions on taxation and other economic levers, as well as employment law and all aspects of economic regulation, would be taken in Scotland and tailored to Scotland's needs. In some cases – such as our proposal to continue to share the pound as our currency – the choices would involve partnership and co-operation with other countries. However, the decisions on when to co-operate would be entirely ours to make.

The ability to make our own decisions is the point of independence. It will provide the best conditions for sustainable economic growth, and enable us to protect living standards, reduce poverty and inequality, and build a better society.

3. To become a fairer society

Within the UK, Scotland is part of an increasingly unequal society. The UK ranks 28th out of 34 nations in the OECD on a measure of overall inequality⁹. OECD analysis shows that since 1975, income inequality among working-age people has increased faster in the UK than in any other country in the organisation¹⁰. This is not the result of the policies of one government, but of almost 40 years of decisions at Westminster.

Seeking to become a more equal society is not just the right thing to do. It also makes sense for the economy.

We know that the most equal societies also have the highest levels of well-being and are most prosperous. They are also, more often than not, nations like Scotland; the fairest and most successful countries in the world are independent European nations of similar size¹¹.

We want the powers of independence so that we can build a different and better Scotland, where the many benefits of a rich and active society are cherished and where we work together to advance our nation as a whole. Progress under devolution has shown us what is possible, but it is not enough.

For these important reasons of democracy, prosperity and fairness, it is time for the people of Scotland to take responsibility for our own future as we look towards the third decade of this 21st century. Rather than remaining a peripheral concern for Westminster governments that we did not elect and do not necessarily support, we can forge our own path. With independence we can create a social nation: a country that acts and feels like a community, a vibrant society where we know the benefits of looking out for each other. Independence is about empowering the people and communities of Scotland as much as it is about empowering our Parliament and government. It will give us the ability, collectively, to choose the path ahead that is right for us and for those we work with and live beside.

Driving our ambition is the firm knowledge that Scotland, and all of the people who live here, should be enjoying the benefits of higher levels of sustainable economic growth. There is so much more we can achieve with all the advantages that we enjoy.

What a newly independent Scotland will look like

Immediately following a vote for independence next year, Scotland will look familiar, but will already have changed, and for the better. The Yes vote will be a resounding statement of national self-confidence.

There will be a transition period between a Yes vote in September 2014 and Scotland becoming independent. Negotiations will take place in this period with the Westminster Government and international partners, particularly the European Union (EU). Setting a date of March 2016 for those to be completed will allow a realistic time period for all of the preparations needed for the Scottish Parliament to take on the necessary powers of independence (see Chapter 10).

On independence, Her Majesty The Queen will remain our head of state, just as she is for 16 Commonwealth countries. Scotland will be a constitutional monarchy for as long as the people of Scotland wish us to be so. Scotland will take our place amongst the member states of the EU and the United Nations.

Scotland's existing institutions and structures of government will continue, but independence will extend their powers and responsibilities. The Scottish Parliament will become the Parliament of an independent Scotland. It will continue to have 129 members, representing constituencies and regions across Scotland, and will be located in the existing Parliament building at Holyrood. The Scottish Parliament will take over responsibilities currently exercised at Westminster.

We will replace a costly, remote and unrepresentative Westminster system with a Parliament elected entirely by the people of Scotland, saving the Scottish taxpayers around £50 million a year in their contributions to the costs of the House of Commons and the House of Lords.

However, the biggest difference will come from the opportunity to take action to meet Scotland's needs, across all areas of the nation's life, to make the most of Scotland's strengths and build on key principles supported by the people of Scotland.

The first election to the new independent Scottish Parliament will take place on 5 May 2016. People will vote in the usual way using the existing proportional system. The newly elected independent Parliament will have responsibility for establishing a constitutional convention which will take forward the drafting of a written constitution for Scotland, based on extensive engagement with the people of Scotland, as well as civic groups and organisations.

Independence will see the Scottish Government develop new functions as it takes on the responsibilities of serving an independent country. If the present Scottish Government is re-elected, we will spread government jobs and decision-making across the country, delivering the direct economic benefits of independent government to more parts of Scotland.

During the transition period, many more countries will set up embassies and consulates in Scotland. We can expect an increase in transport connections to and from Scotland, and the new independent Scottish Government will start to be created – bringing jobs which are currently based in London to Scotland.

For public services that are currently reserved, there will be arrangements for the continued delivery of services to the public across the UK where this is in the interests of service users and the two governments. In most cases, this will be for a transitional period, but in some it may be for the longer term. The underlying principle in all cases will be the seamless delivery of services to people in Scotland (and the rest of the UK), with decisions for Scotland being made in Scotland by the Scottish Government and Scottish Parliament.

Scotland already has an independent legal system. The Inner House of the Court of Session and the High Court of Justiciary sitting as the Court of Criminal Appeal will collectively be Scotland's Supreme Court.

References on points of EU law will continue to be made to the European Court of Justice in Luxembourg, and applications on human rights issues to the European Court of Human Rights in Strasbourg will continue. The structure of Sheriff Courts and other courts will remain the same. The Crown Office will continue to be the sole independent public prosecuting authority and will continue to investigate all suspicious and unexplained deaths. The structure of police and other emergency services will be also be unaffected by the move to independence.

On independence, the structure of local government in Scotland will remain the same, with local councils continuing to deliver the full range of services they do today. This will include schools, leisure and social services. The next election to Scotland's local authorities will take place as planned in 2017. Independence will give us the power to embed the role of local authorities in a written constitution and consider the most appropriate responsibilities for local government and communities. The NHS, which is already the responsibility of the Scottish Parliament, will operate on exactly the same basis the day after independence as it does the day before.

The most important point, however, in considering what an independent Scotland will look like is this: it will look like the kind of Scotland we as a people choose to build. We will take the decisions. What happens to our country will be our responsibility.

The Government of an independent Scotland

The structure and location of government in an independent Scotland will be for the elected government of the day to decide. This box sets out the approach proposed by the current Government, which is to structure the Scottish Government into nine portfolios, each of which will comprise at least one Cabinet Secretary and supporting Ministers. This structure is designed to continue the current Scottish Government's approach of more flexible and more efficient government, allowing us to take full advantage of some of the key benefits of independence: agility, accessibility and short lines of decision-making. The nine portfolios we are planning are:

- Office of the First Minister
- Finance and Economy
- Health, Wellbeing and Social Protection
- Education, Skills and Employment
- International Relations and Defence
- Justice, Security and Home Affairs
- Environment, Rural Scotland, Energy and Resources
- Culture, Communications and Digital
- Law Officers

Office of the First Minister

The First Minister will have overall responsibility for the Scottish Government, transition agreements and the constitution, and will be supported by a Minister for Parliamentary Business who will attend Cabinet.

Finance and Economy

The Cabinet Secretary for Finance will have responsibility for Scotland's budget and public service reform, and will be supported by a Minister for Communities and Public Services who will have responsibilities including local government,

equalities and community empowerment. A Cabinet Secretary for Trade and Economic Development will have responsibility for competitiveness, business and tourism, and will be supported by a Minister for Transport. Revenue Scotland will have major operational centres based in East Kilbride and offices around Scotland.

Health, Wellbeing and Social Protection

The Cabinet Secretary for Health will have responsibility for the NHS and will be supported by a Minister for Public Health and Sport and a Minister for Children and Families. There will be a Cabinet Secretary for Social Protection who will be supported by a Minister for Pensions and Older People. NHS services will be based in existing facilities. A Working Age and Disability Benefits HQ will be based in Glasgow. There will be national pensions centres at existing sites in Dundee and Motherwell and a national child maintenance centre in Falkirk, plus a network of centres around the country.

Education, Skills and Employment

The Cabinet Secretary for Education will have responsibility for primary, secondary, further and higher education, as well as Gaelic and Scots, and will be supported by a Minister for Schools and a Minister for Youth Employment.

International Relations and Defence

The Cabinet Secretary for International Relations will have responsibility for relations with the rest of the UK and Ireland, the EU, and the wider international community, and will be supported by a Minister for International Development. The Cabinet Secretary for Defence will have responsibility for defence policy and will be supported by a Minister for the Armed Forces and Veterans. Scotland's Military HQ will be at Faslane and there will be delivery functions in East Kilbride, at Kentigern House in Glasgow, and in international embassies and missions.

Justice, Security and Home Affairs

The Cabinet Secretary for Justice will have responsibility for police, security and intelligence, and the justice system, and will be supported by a Minister for Home Affairs with responsibilities including immigration and borders.

Environment, Rural Scotland, Energy and Resources

The Cabinet Secretary for Natural Resources will have responsibility for energy, sustainability and the environment. The Cabinet Secretary for Food and Rural Affairs will have responsibility for food and drink, agriculture, fishing and rural communities.

Culture, Communications and Digital

The Cabinet Secretary for Culture will be responsible for culture, broadcasting, postal services and digital delivery, and will be supported by a Minister for Communications.

Law Officers

The Lord Advocate and Solicitor General will continue as head of the systems of criminal prosecution and investigation of deaths in Scotland and will provide legal advisory functions across the whole range of government activity, including currently reserved functions.

In addition to these government departments, significant functions currently delivered for Scotland from elsewhere in the UK will be transferred to Scotland. This means that jobs which Scottish taxpayers currently fund in London and elsewhere will instead come to Scotland, providing a boost for our economy, and creating new jobs and career opportunities. This Government proposes to locate these functions around Scotland.

In an independent Scotland, we will establish a new security and intelligence body, a Scottish Border and Migration Service and a Scottish Motor Services Agency. At present spending on these functions in other parts of the UK is funded, in part, by taxes and fees collected from people and businesses in Scotland. With independence these taxes and fees would be spent in Scotland.



Becoming independent - the transition

Timetable for negotiations

Following a vote for independence in the referendum on 18 September 2014, there will be a period of preparation for Scotland to become an independent country. Setting a realistic independence date of **24 March 2016** will allow time for the preparations necessary for the Scottish Parliament to take on the new powers of independence to be completed.

This period between the referendum and independence will see negotiations with the rest of the UK, represented by the Westminster Government, and with the EU and other international partners and organisations. Following these preparations and negotiations, Scotland will assume our status as an independent country before the Scottish parliamentary elections in May 2016.

In the Edinburgh Agreement signed by the First Minister and the Prime Minister on 15 October 2012, the Scottish and Westminster Governments committed to work together constructively in light of the outcome of the referendum in the best interests of the people of Scotland and the rest of the UK¹². Following a vote for independence in 2014, agreements will be needed between the Scottish and Westminster Governments, in the spirit of the Edinburgh Agreement, setting the parameters for Scotland's transition to independence. These will set out:

- the precise timetable towards independence day in 2016
- the constitutional platform for an independent Scotland – the laws and administrative arrangements to establish Scotland as an independent state
- the process and timetable for the negotiations, and conclusion of the agreements which will form the final independence settlement

It will be in the interests of both countries for the governments to make rapid and constructive progress on these negotiations, in line with the commitments made in the Edinburgh Agreement. It would assist in preparing for the negotiations if discussions between the governments were to take place prior to the referendum, and the Scottish Government will continue to press for such engagement.

A Yes vote will require work to be undertaken within the Scottish Government, drawing on external advice and expertise from within civic society and our academic and business communities.

The negotiating team will be led by the First Minister, and the process will include figures from across Scottish public life and Scotland's other political parties. During the transition period the Government will seek the agreement of the Scottish Parliament to extend its sitting days to ensure full democratic scrutiny of the process and to provide adequate time for the necessary legislation to be passed.

Constitutional platform for independence

Scotland's current governmental arrangements are based on the Scotland Act 1998, which is an Act of the Westminster Parliament. With independence, Scotland's government will not be based on the authority of Westminster but on the sovereignty of the people of Scotland.

To prepare for this new status a number of steps will need to be taken to provide a constitutional platform for Scotland to make a seamless transition to independence and to provide a secure underpinning to the legal and governmental system.

Soon after a Yes vote in the referendum, the Westminster and Scottish Parliaments will need to pass legislation to give the Scottish Parliament powers to: declare independent statehood for Scotland in the name of the sovereign people of Scotland; amend the Scotland Act 1998; and extend the powers of the Scottish Parliament and Scottish Government into all policy areas currently reserved to Westminster, in order to make preparations for independence.

With the transfer of the appropriate legislative competences, the Scottish Parliament will be in a position to make the necessary preparations for Scotland to become independent.

Agreement with the rest of the UK

The independence agreement with the rest of the UK will cover a range of matters, mainly the approach to the assets and liabilities of the UK, the delivery of services and the position of individuals working within public services. There will also need to be agreements on cross-border operational matters, as is the case now, and on transitional arrangements for those areas where a period of adjustment will be the most sensible approach.

The over-riding priority will be the seamless delivery of public services on independence to citizens of both countries. This applies both to those services currently delivered to Scotland from locations elsewhere in the UK, and to those services currently delivered from Scotland to citizens elsewhere in the UK.

Agreement with international organisations and partners

In addition to discussions with the Westminster Government, negotiations will be held in advance of independence with the EU to agree the terms of an independent Scotland's continuing membership. Scotland will continue to be part of the UK – and, therefore, an integral part of the EU – during these negotiations. The UK and Scottish Governments, along with the EU institutions and member states, will have a shared interest in working together to conclude these negotiations to transfer Scotland's EU membership from membership as part of the UK to membership as an independent member state.

Discussions and negotiations will also be required about the terms of Scotland's (and indeed the rest of the UK's) membership of other international bodies to which Scotland currently belongs as a component nation of the UK. Such negotiations will necessarily involve both the Scottish and Westminster Governments, together with our international partners (see Chapter 6). Such arrangements will cover Scotland's membership of international organisations such as the UN and NATO. On independence, Scotland will also become a Non-Nuclear Weapons State party to the Nuclear Non-Proliferation Treaty and a party to other major international treaties.

Scotland will succeed to international treaties by sending notifications of succession to the depositaries of multilateral treaties (for example, the Secretary-General of the UN is the depositary for the 500 UN Treaties), and by writing to the other states in relation to each of the UK's existing bilateral treaties to which Scotland would wish to succeed. This is in line with normal international practice.

Strong foundations - Scotland's financial and economic strengths

There are now few people who still argue that Scotland does not have the strength or capacity to be independent. The UK Prime Minister, David Cameron, has recognised that this is the case¹³.

Most countries in the world generate less wealth per head than Scotland – including the UK as a whole. If Scotland cannot afford to be independent, neither can the UK.

We pay our own way

Over each of the last 32 years, estimates show that Scotland has contributed more tax per head of population than the rest of the UK. In 2011/12 we generated £10,700 of tax revenues per head, compared to £9,000 for the UK¹⁴.

We spend a lower proportion of both our national output and our tax revenues on social protection – things like pensions and welfare – than the UK, which means that Scotland is wealthy enough to look after our most vulnerable people.

Taken as a whole, Scotland's national accounts are healthier than the UK's. Over the last five years they have been stronger to the tune of £12.6 billion – almost £2,400 for every person living in Scotland. That is money that could have been used to deliver more for public services such as our schools and hospitals, to reduce taxes or to cut the amount we need to borrow. More importantly, it shows that Scotland has firm financial foundations. We have the economic and financial strength we need to choose independence.

By independence in 2016/17, Scotland's fiscal deficit is forecast to have fallen to between 2.5 per cent and 3.2 per cent of GDP, assuming that we take on a population share of UK public sector debt; with a historic share of UK debt, our deficit is forecast to be lower still, at between 1.6 per cent and 2.4 per cent of GDP. By contrast, the UK is forecast to run a deficit of 3.4 per cent of GDP in the same year¹⁵. The International Monetary Fund estimates that the average deficit across the G7 economies will be 3.2 per cent in 2016¹⁶.

On independence, Scotland will accept a fair share of the existing UK debt. The amount of the debt that we accept will be subject to negotiations. We will also be entitled to a fair share of UK assets (assets that our taxes have helped to pay for). The debt could be apportioned by reference to the historic contribution made to the UK's public finances by Scotland. An alternative approach would be to use a population share. In either case, Scotland's debt is projected to be lower as a proportion of GDP than that of the UK as a whole.

The question, therefore, is not "Can we afford to be independent?" Instead, given all these strengths, we should be asking "How do we make people in Scotland better off?" With independence, we will be better able to get our resources working for all the people of Scotland.

We will only be able to do that if we make the most of the talents and potential of everyone in the country. That means creating a fairer society so that everyone has the opportunity to get on in life, both for themselves and for the contribution they can make to their communities and to Scotland.

Greater security through independence

Some who support the current Westminster system argue that Scotland benefits from a pooling and sharing of resources across the UK. However, this is far from the reality. Our resources may be pooled, but they are not fairly shared.

The Westminster system has created a country with some of the biggest regional differences in GDP per head of any EU nation. Growth has been concentrated in London and the South East.

Within the UK, half of the population owns just 9.9 per cent of the wealth, while the very richest 10 per cent own 43.8 per cent¹⁷. Income inequality is amongst the highest in the developed world¹⁸.

This situation has been getting progressively worse. Even though Scotland is economically strong, it will become harder to cope with an economic policy which funnels so much activity into one corner of the UK and to one section of society.

In addition, Westminster is making welfare changes that threaten the security of all of us, especially the most vulnerable.

This is in contrast to the Scottish Parliament's protection of the universal principle, which recognises that people pay into the system and should get some reward or help in time of need.

The idea of pooling and sharing wealth is the mark of a fair society. The evidence shows that it is small independent European nations that have the best record of generating more wealth for all and of sharing it more fairly across society¹⁹.

The evidence is clear that Scotland is ideally placed to deliver the economic and social gains that are normal in similar nations. The strength of our economy, our natural resources, and the degree of political consensus we enjoy gives us confidence that choices will be made to use the wealth of our nation to transform our economically productive country into a rich and fair society. But only independence can deliver this outcome and secure a Scottish Parliament with the necessary responsibilities, political balance and political will to achieve genuine social advances.

Across the world, nations face a range of challenges, from climate change and energy and water security to demographic changes that will alter the composition of society. With independence, we will have the powers to respond to these challenges and their impact in Scotland ourselves, rather than relying on the decisions of others. Independence will also give us the opportunity to play an active part in shaping global and European solutions to these problems. With independence, we will be better placed to meet the challenges of the future.

Over time, we will also have the opportunity to save a proportion of the revenues that flow from our offshore energy wealth for the benefit of future generations (see Chapter 8).

Energy and resources

Scotland has energy security. We produce six times our current demand for oil and three times our demand for gas. We have extraordinary potential in renewable energy, including a quarter of Europe's offshore wind and tidal potential.

Investment in the oil and gas sector is at the record level of £13.5 billion this year, and planned future investment is estimated at £100 billion. Industry projections also point to an increase in output in the first years of independence. Production is expected to extend beyond the middle of the century, with the industry estimating remaining reserves of up to 24 billion barrels of oil and gas that can still be recovered. In terms of wholesale value, North Sea reserves could be worth £1.5 trillion – a greater value than the amount extracted to date. As the vast bulk of the reserves are beneath Scottish waters, that gives us one of the best financial safety nets of any country in the world²⁰.

While projections of the price for oil and gas vary, everyone now acknowledges that Scotland's oil and gas wealth is an extremely valuable resource and will last for a long time to come. Scotland can also look forward to a further energy bonus from our green energy resources, with expected sales of £14 billion by 2050 from offshore tidal and wind energy²¹.

Given the breadth and depth of our economic strengths, Scotland is better placed than most to ensure a secure future for the people who live here. By making the most of our strengths, we can provide the strongest guarantees in the years to come. In this way, we can prepare for future economic and financial pressures, enabling us to respond in a more effective way to economic downturns or unexpected challenges.

Population

Developed countries across the world face pressures on public services, as there are fewer people of working age and a larger proportion of children and people in retirement in the population. For at least the next 15 years, Scotland will be in a

more advantageous position than the rest of the UK, and with independence²² we will be able to take the most important steps to address this challenge for the longer term. With the economic powers of independence, we can do more to generate higher levels of economic growth, which will in turn boost revenue levels. We will be able to create more opportunities for young people, allowing us to retain more of our working age population, and to attract back people who have chosen to work elsewhere. We will also be able to encourage suitably qualified new talent to settle and work in Scotland, and retain more of the students who come to study at our world-class universities. Right now, detrimental policies from Westminster are a major factor in preventing many Scottish-educated graduates from choosing to live and work in Scotland.

Scotland has the talent, resources, wealth and ingenuity to meet the challenges of the future. Greater certainty in the future comes not from leaving decisions to others, but from taking responsibility ourselves. Scotland has greater security when we have greater control over the direction we take as a nation. We can respond with action based on Scotland's particular circumstances, and take decisions that put us in a stronger position to meet the longer-term challenges that we can see emerging in the years ahead.

Government policies and public services with independence

On day one of independence, public services will continue to be delivered in a way that will be seamless for those who rely on them. Policy changes will be decided not in the 2014 referendum, but at future elections, both national and local. The benefit of independence is that all the important decisions affecting the quality of public services in Scotland will be taken in Scotland and not at Westminster. Westminster will no longer be able to reduce the funding available to the Scottish Parliament. Instead our Parliament will decide the right level of public spending for Scotland.

The success of those public services already under the control of the Scottish Parliament – free personal care for the elderly and world-leading improvements in hospital safety, to take just two examples – demonstrates the gains that come when decisions are made in Scotland.

As with devolution, the full gains from independence will come over time. The aim of the Scottish Government, through the process of becoming independent, is to protect the things we know are important to people living in Scotland, while also providing some immediate advantages from the move to independence and building for the long term.

With independence, decisions on the taxes we pay, the state pension, the delivery of all public services, and policies that affect our economy and society will be taken in Scotland based on the needs and interests of the people who live here.

Looking at neighbouring independent nations, such as Norway and Denmark, it is clear that they enjoy an independence bonus that allows them to deliver fairer societies. They are able to provide more targeted support for families with children and better levels of care for older citizens, and deliver measures to boost their economies, support higher standards of living and create more jobs.

These independence gains did not come overnight. They required effort and a focus on what was best for their societies, but they are a signal of what can be achieved when Scotland too becomes an independent nation.

Independence will give us the opportunity to better provide the public services we all value and rely on. It will put decisions on the level and allocation of Scotland's budget into the hands of the Scottish Government and Parliament, rather than leaving these decisions to Westminster. That means we can choose to guarantee free personal care and decent pensions for our older people and free tuition fees for students, instead of replacing Trident. Indeed, making different choices from Westminster on nuclear weapons and defence will allow this Scottish Government to save £500 million – money that can deliver direct benefits for people in Scotland.

The policies that will be pursued in an independent Scotland will be down to the government elected by the people of Scotland, starting with the first election following independence in May 2016.

This may be the SNP, Labour or any other party – or coalition of parties – that wins enough support.

The consequences of Scotland voting No in the referendum

The referendum is a choice between two futures: taking control in Scotland of our own affairs, or remaining under the control of Westminster. It is a choice about who can be trusted to make the best decisions for Scotland – our own Parliament elected in Scotland, or Westminster.

If the result of the referendum is No, decisions on welfare, defence and foreign policy will continue to be taken by Westminster for Scotland, whatever the views of the Scottish electorate. For example, with a No vote we will see a new generation of nuclear weapons on the Clyde. There is no assurance that decisions on the key issues that affect Scotland's prosperity, security and future will be made in line with the interests and values of the people who live here. Decisions with damaging effects on Scottish society – such as the “bedroom tax” which was introduced despite the opposition of 90 per cent of Scottish MPs – will continue to be made in Westminster.

The overall level of public spending in Scotland will continue to be driven by decisions on priorities for England through the Barnett formula – which determines Scotland's block grant by reference to spending by Westminster – rather than by Scottish priorities. There is the prospect that the funding system for devolved government in Scotland will be scrapped, with the risk of further significant cuts to the Scottish Parliament's budget and serious consequences for Scottish public services. Westminster politicians from all parties have indicated that reviewing the basis of Scotland's spending is a real possibility.

If we remain in the UK, the Conservative Party's promise of an in/out referendum on EU membership raises the serious possibility that Scotland will be forced to leave the EU against the wishes of the people of Scotland.

Despite much talk of further devolution and more powers for Scotland, with a No vote there is no assurance that there will be any new powers for the Scottish Parliament within the UK. Neither the Westminster Government nor the campaign opposing independence has made concrete proposals for

further devolution to the Scottish Parliament following a No vote in the referendum. A vote against independence would not in itself lead to an extension of the powers of the Scottish Parliament; any proposals to strengthen the Scottish Parliament would require the agreement of Westminster through legislation, and there is no guarantee that any of the UK parties will propose – or follow through on – any such legislation.

Following the referendum in 1979, we saw that, despite the promises made during that campaign and the clear public support for devolution, it took a further 20 years for a democratic Scottish Parliament to be established. The only way to secure and guarantee greater powers for the Scottish Parliament is to vote Yes in the referendum.

PART 2



CHAPTER
2

**SCOTLAND'S
FINANCES**

- Scotland is a wealthy country and can afford to be independent
- Our public finances are healthier than those of the UK as a whole
- Tax receipts per head in Scotland are estimated to have been higher than in the UK as a whole in each and every year since 1980/81
- In 2011/12, Scottish tax receipts were equivalent to £10,700 per head – £1,700 higher than the equivalent UK figure
- Over the last five years, Scotland's public finances have been stronger than the UK as a whole by a total of £12.6 billion – almost £2,400 per head
- Projections set out here demonstrate that Scotland's public finances are expected to strengthen over the next few years
- Independence will provide us with the opportunity to manage our public finances more securely and to create a more vibrant and resilient economy

Why we need a new approach

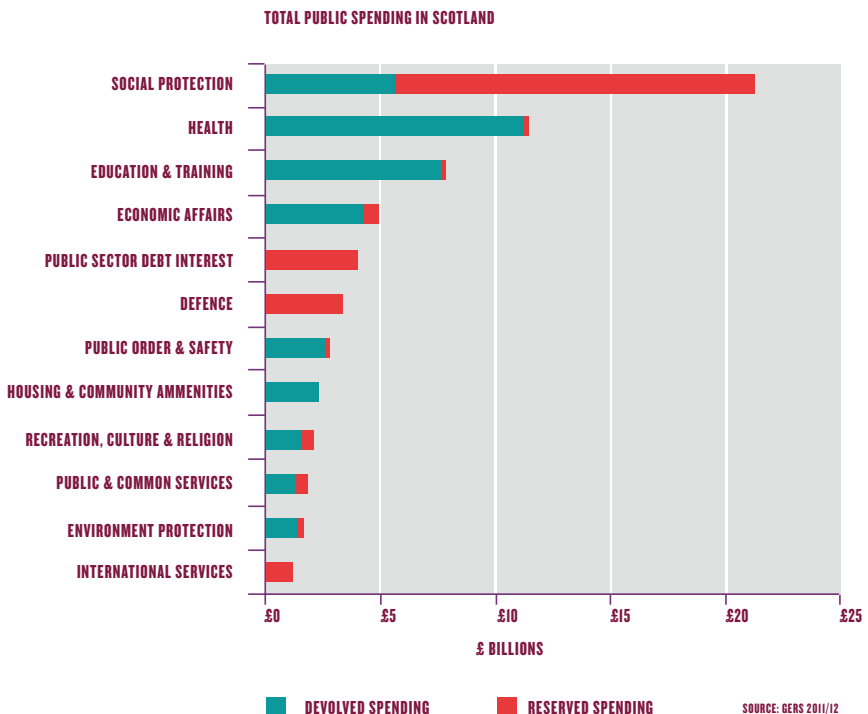
The strength of a country's public finances depends on the balance between public spending, revenues and the stock of government debt.

These in turn depend upon the health of the economy and choices around the level and composition of taxes and provision of public services.

This chapter sets out Scotland's public finances and demonstrates that Scotland has the financial foundations to be a successful independent country.

It also provides an overview of the financial position that the Scottish Government expects an independent Scotland to inherit and this Government's early priorities for public spending and revenue.

The starting point for this analysis is the National Statistics publication, Government Expenditure and Revenue Scotland (GERS). GERS is the authoritative publication on Scotland's public finances.



GERS provides estimates of the tax revenue generated in Scotland and the public spending undertaken for Scotland within the current constitutional framework²³.

The facts are as follows:

- even when oil and gas revenues are excluded, estimated tax receipts per head in Scotland are broadly equivalent to the UK figure²⁴. When Scotland's oil and gas receipts are added, tax revenue per head in Scotland is nearly 20 per cent higher than the UK average
- in 2011/12, the most recent year for which information is available, Scotland generated £10,700 of tax revenues per head compared to £9,000 per head for the UK as a whole^{25, 26}
- indeed, in every year from 1980/81 to 2011/12, Scottish tax receipts per head are estimated to have been higher than in the UK as a whole
- some decisions on taxes are already devolved to Scotland, notably on council tax and local business rates. However, together these taxes account for just 7 per cent of total Scottish tax receipts²⁷
- changes included in the Scotland Act 2012, due to come into effect over the next one to two years, will give the Scottish Parliament control over two additional taxes which together raise about £400 million per year, and some limited control over a proportion of income tax. These changes will still only give Scotland responsibility for 15 per cent of Scottish receipts. Decisions on the overwhelming majority of Scottish taxes will remain at Westminster²⁸
- total public spending for Scotland was worth an estimated £64 billion in 2011/12²⁹. This includes all spending undertaken for the benefit of Scotland by every tier of government in the UK
- relative to the size of the economy, public spending is estimated to be lower in Scotland than in the UK as a whole. In 2011/12, total public sector expenditure for Scotland was estimated to be equivalent to 42.7 per cent of GDP. In comparison, UK public spending was 45.5 per cent of GDP in the same year³⁰

- as a share of GDP, public spending in Scotland is also lower than in the majority of EU-15 countries³¹

The overall level of public spending for Scotland is primarily decided by the Westminster Government.

In terms of reserved programmes affecting Scotland, the Westminster Government sets levels of spending on matters such as welfare payments and defence. This covers around 40 per cent of all spending for Scotland.

For devolved programmes such as health, education and transport, the total budget is set by the Westminster Government using the Barnett Formula. The Barnett Formula uses the size of Scotland's population relative to other parts of the UK to calculate changes in the budget available for devolved services, depending on decisions taken about funding levels for Whitehall departments.

Public spending in Scotland is therefore set without reference to the needs or preferences of Scottish households or businesses. Nor does it directly reflect the substantial contribution that Scotland makes to UK tax receipts.

Taking revenues and expenditures together provides a picture of the overall health of the public finances.

The facts show that, over the last five years, Scotland's public finances, despite being in deficit, are estimated to have been relatively stronger than the UK as a whole by a total of £12.6 billion – almost £2,400 per head³².

This relatively stronger fiscal position is consistent with a longer-term trend.

The Fiscal Commission Working Group ("the Fiscal Commission")³³ has estimated, that since 1980/81, Scotland has run an average annual net fiscal surplus of 0.2 per cent of GDP, compared to an average annual deficit for the UK of around 3 per cent of GDP.

The Fiscal Commission has also illustrated that, had Scotland had control of our own resources, and assuming no change in tax revenues or spending priorities, our relatively stronger fiscal position from 1980/81 would have allowed us to not only eliminate a per head share of UK net debt, but actually accumulate assets worth between £82 billion and £116 billion by 2011/12³⁴.

This would have equated to an asset of between £15,500 and £22,000 per head. In contrast, by the end of 2011/12, the UK had accumulated net debt of over £1.1 trillion, equivalent to a liability of £17,500 per head.

The opportunities available to Scotland

Despite these underlying strengths, Scotland is disadvantaged by not being independent.

Scotland does not have full control of our economy or public finances.

The Scottish Parliament is unable to determine the level and composition of taxation or the overall value of public spending.

It is not possible to realise the financial benefits of successful economic policies – such as increased revenues or reduced welfare payments. Under current arrangements, these benefits are passed straight to the Westminster Government. For example, because Scotland has proportionately more social housing, spending on housing benefit is lower, but the benefit of this goes to the Westminster Government not the Scottish Government.

Without independence, Scotland is also exposed to the approach that successive Westminster governments have taken to managing the public finances.

Between 2001/02 and 2007/08, the then Labour Westminster Government increased debt year on year, despite strong economic growth³⁵. As a result, just as the recession hit, the UK had the third highest structural deficit in the OECD³⁶.



In surveying the UK's public finances, the Fiscal Commission concluded that:

the decision not to manage government borrowing more prudently during the years prior to the financial crisis weakened the resilience of the public finances and meant that they were not well placed to respond to the sharp drop in tax revenues, and increase in government spending, which occurred with the onset of the recession in 2008³⁷.

This position has since been compounded by the current Westminster Government's decision to cut public expenditure too quickly – especially public sector capital investment – and before the recovery had gained momentum. This damaged economic growth, depressed tax revenues and resulted in borrowing exceeding forecasts.

In contrast, the Scottish Government has developed a reputation for sound financial management. In the areas that we control, we have taken tough decisions, delivered significant efficiencies and prioritised spend to the areas which have the most significant economic impact and offer the greatest protection for those who rely on public services.

Independence will provide the opportunity to safeguard Scotland's financial sustainability more effectively and ensure that our public finances are managed to reflect the needs of Scotland's economy.

Scotland's public finances on independence

It is clear that Scotland currently pays our way within the UK.

As we move to independence, our strong public finances will provide the foundations for policy decisions on taxation, growth and welfare.

As with most developed countries – including the UK – Scotland is currently running an estimated fiscal deficit, which means that the revenues from taxation fall short of public spending³⁸. Of the 31 members of the OECD for which data are available, 27 are estimated to have been in deficit during 2012³⁹.

As a result of the recession, Scotland will inherit challenging fiscal position that will require careful stewardship in the years immediately following independence. The first Government of an independent Scotland will need to make decisions based on the prevailing conditions.

To enable an informed assessment of the financial position of an independent Scotland, the Scottish Government has prepared projections of Scotland's public finances under the current constitutional framework to 2016/17, the year when Scotland will become independent⁴⁰. Such projections reflect the decisions and priorities of the Westminster Government. In contrast, the strength of Scotland's public finances in the years after 2016/17 will depend on the economic and fiscal decisions of future Scottish governments and our ability to grow the economy.

Scotland's public finances are forecast to improve as the economy continues to strengthen.

The financial position that Scotland will inherit on independence will also reflect, in part, negotiations between the Scottish and Westminster Governments following a Yes vote. For example, the proportion of UK public sector debt which an independent Scotland will assume responsibility for will have implications for our annual debt interest payments. Negotiations will enable phasing and the financial consequences of the transition to be agreed, planned and managed by all parties.

To reflect the range of possible outcomes, the analysis in this guide uses two scenarios for Scotland's share of UK public sector debt and annual interest payments:

- Scotland's share of UK public sector net debt could be apportioned by reference to the historical balance of public spending and taxation since 1980/81, the earliest year for which figures are available. This provides a measure of our contribution to the UK's finances over the years. As Scotland has been in a relatively stronger position than the UK over this period, a historical share of public sector debt would be lower than a population share⁴¹
- Alternatively, Scotland could take responsibility for a population share of UK public sector net debt

Under either outcome, Scotland's projected debt to GDP ratio would be smaller than the UK's. Negotiations will also take into account the degree to which Scotland's share of UK public sector debt, and in turn its annual debt interest payments, could be reduced in return for forgoing rights to certain UK assets (see Part 4).

Based on the Westminster Government's current spending plans, public spending excluding debt interest payments for Scotland is forecast to fall by 4 per cent in real terms between 2011/12 and 2016/17.

UK debt interest payments are projected to rise by over 20 per cent in real terms between 2011/12 and 2016/17, reflecting higher levels of UK borrowing in recent years⁴². Based on such figures, Scotland's historical share of UK debt interest is projected to be £3.9 billion in 2016/17 or £5.5 billion based on a per head share.

Assuming onshore tax revenues in Scotland follow the path forecast for the UK as a whole, they are projected to grow by approximately £5 billion (10 per cent) in real terms between 2011/12 and 2016/17⁴³.

Tax revenues from oil and gas production will depend on a range of different factors, including future production in the North Sea, wholesale oil and gas prices and profitability. The Fiscal Commission has set out proposals for how such revenues could be managed successfully in an independent Scotland.

The Scottish Government has published forecasts for North Sea tax receipts under a range of scenarios⁴⁴. Two scenarios are used here.

In the first, production is assumed to remain unchanged at current levels, whilst oil prices are assumed to remain unchanged in cash terms at their average level over the two years to March 2013. Under such a scenario, Scottish oil and gas receipts are forecast to generate £6.8 billion in tax revenue in 2016/17.

In the second scenario, production is forecast to increase more in line with industry forecasts, although at a lower level of profitability. Under this scenario, oil and gas receipts could reach £7.9 billion in 2016/17.

The table below provides forecasts of key elements of public sector expenditure and revenue for Scotland in 2016/17 based on the above scenarios and projections.

TABLE – ESTIMATES OF SCOTLAND'S FINANCIAL POSITION (2016/17) £ BILLIONS – UNDER CURRENT CONSTITUTIONAL ARRANGEMENTS	
Total Expenditure (Non-Debt Interest)	£63.7
Currently Devolved	£37.3
Defence	£3.0
Reserved Social Protection	£18.8
Other Reserved Spending	£4.6
Public Sector Debt Interest¹	£3.9 to £5.5
Total Public Sector Receipts	£63.7 to £64.8
Onshore Receipts	£56.9
Offshore Receipts	£6.8-£7.9
Net Fiscal Balance²	
Including historical share of debt interest payments	-£2.7 to -£4.0
As percentage of GDP	-1.6 per cent to -2.4 per cent
Including population share of debt interest payments	-£4.3 to -£5.5
As percentage of GDP	-2.5 per cent to -3.2 per cent
UK Public Sector Net Borrowing³	-£61
As percentage of GDP	-3.4 per cent
<p>Figures are rounded to the nearest hundred million and therefore may not sum</p> <p>¹ Range based upon historical or population share</p> <p>² Scottish Government projections</p> <p>³ Office for Budget Responsibility – March 2013 Economic and Fiscal Outlook</p>	

Scotland's deficit is forecast to fall to between 1.6 per cent and 2.4 per cent of GDP in 2016/17 with a historical share of UK debt and to be between 2.5 per cent and 3.2 per cent of GDP if we take on a population share of UK public sector debt. The Office for Budget Responsibility forecasts that the UK will run a deficit of 3.4 per cent of GDP in the same year⁴⁵. The IMF estimates that the average deficit across the G7 economies will be 3.2 per cent in 2016⁴⁶. Based on this approach, the net fiscal balance for an independent Scotland in 2016/17 is therefore forecast to be better than for the UK as a whole.

When assessing a country's finances, an important figure to consider is the current budget balance. This measures the degree to which current taxpayers meet the cost of paying for the public services they consume today and includes a contribution to debt interest payments. If a country is running near to a current budget balance or surplus, it may still have to borrow to fund capital expenditure. However, such borrowing will be for long-term investment which can be expected to increase the economy's productive capacity in future years. Such borrowing can therefore be part of a sustainable approach to managing the public finances.

Assuming a share of debt interest payments based upon Scotland's historical contribution to the UK public finances, Scotland's current budget balance is estimated to be between 0.1 per cent (i.e. a surplus) and -0.7 per cent of GDP in 2016/17. Assuming a population share of debt interest payments, Scotland's current budget balance in 2016/17 is projected to be between -0.8 per cent and -1.5 per cent of GDP. This compares to a forecast for the UK as a whole of -1.9 per cent.

Given this expected starting point, the following section sets out the early tax and expenditure priorities that the current Scottish Government would take forward following independence.

We recognise that, as with any financial projection, revenues and expenditure may be higher or lower than projected at this stage. As a responsible government, we will make plans for transition and contingency.

Early priorities for action within sound public finances

Robust public finances are an important prerequisite for delivering sustainable economic growth. The sharp increase in Westminster borrowing, and resulting austerity, highlights the significant implications for household incomes and the economy of not managing the public finances responsibly.

This Government will ensure that Scotland has stable and sustainable public finances, underpinned by the discipline of a framework designed to ensure that Scotland's finances are appropriate for the country's economy, and able to withstand changes in economic circumstances.

To support this, this Government will put in place an effective fiscal framework, including: the creation of an independent Scottish Fiscal Commission; fiscal rules; and an Energy Fund to manage oil revenues⁴⁷. This will provide future Scottish governments with a sound basis on which to make appropriate choices about tax rates, spending levels, debt and borrowing.

Sound public finances will be an important part of the agreements underpinning a Sterling Area arrangement with the rest of the UK and for demonstrating our credibility to financial markets⁴⁸. The record of Scotland's public finances, and the projections provided here, give us confidence that Scotland will be able to meet these requirements.

In an independent Scotland, the elected government will have control over all tax revenues and expenditure in Scotland. This will provide an opportunity to redirect currently reserved expenditure to reflect Scottish priorities and also to use key tax and regulatory powers to improve the Scottish economy – for example, by better linking our welfare and tax system.

This Government intends to raise revenue and reduce spending by:

- reducing defence and security spending to £2.5 billion per year (which is still more than Westminster spends on defence in Scotland)
- ending the married couples tax allowance, planned for introduction in 2015
- cancelling the Westminster Government's Shares for Rights scheme in Scotland
- providing for a streamlined system of overseas representation focused on Scottish citizens and priority business sectors

There will also be savings from no longer having to fund the Westminster Parliament.

We expect these changes to deliver savings or increases in revenue totalling around £600 million in a full year.

This will provide scope to take action in the first budget of an independent Scotland to create a fairer and more successful country. The priorities of the current Scottish Government for that first budget will be to:

- maintain a commitment to protecting free personal care, free prescriptions, free higher education tuition for Scottish students and free concessionary travel
- abolish the "bedroom tax"
- extend the period of the triple lock for uprating of state pensions
- reduce energy bills by moving the cost of the Energy Company Obligation and Warm Home Discount Scheme to the Scottish Government
- provide 600 hours of childcare to around half of two year olds, as part of a longer term plan to deliver a transformational expansion in childcare

- equalise the earnings disregard between first and second earners for those already in receipt of Universal Credit
- increase tax allowances, tax credits and benefits in line with inflation
- meet international commitments to spend 0.7 per cent of Gross National Income on international aid

We expect these commitments to cost around £500-600 million per year in total to deliver.

Over the course of the first term of an independent Scottish Parliament, the Scottish Government proposes to work with Scotland's tax authority, Revenue Scotland, to simplify the tax system to reduce compliance costs, streamline reliefs and help to reduce tax avoidance, with a target revenue gain of £250 million per year by the end of the first term.

Alongside simplification, this Government plans for Revenue Scotland to deploy modern digital collection technologies to help ensure that all taxpayers pay their fair share of taxes, bearing down on the amount of revenues which are lost to error, avoidance and evasion.

Within our framework for robust and sustainable public finances, we propose to deliver the following measures to boost Scotland's competitiveness within the first term of an independent Scottish Parliament:

- provide childcare for 30 hours per week for 38 weeks per year – equivalent to primary school hours – for every three and four year old and vulnerable two year old, as part of a longer-term commitment to provide this level of provision to all children from age one until they start school
- cut Air Passenger Duty by 50 per cent, with a view to eventually abolishing it
- provide a clear timetable for cutting corporation tax by up to three percentage points for businesses paying tax in Scotland

We will also examine an increase in the National Insurance Employment Allowance to help small businesses, and will commence negotiations to return Royal Mail in Scotland to public ownership.

PART 3



CHAPTER

3

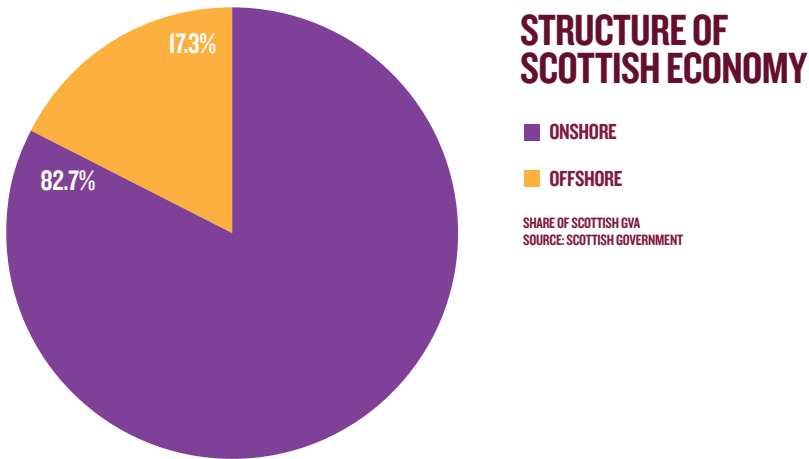
FINANCE
AND THE
ECONOMY

SCOTLAND HAS GOT WHAT IT TAKES



1, 3, 6, 8, 10, 11, 12. SOURCE: SCOTTISH GOVERNMENT
 2. SOURCE: VISIT SCOTLAND
 4. SOURCE: PROFESSOR ALEX KEMP, ABERDEEN UNIVERSITY (IN THE 30 YEARS FROM 2011)
 5. SOURCE: SCOTTISH GOVERNMENT ANALYSIS
 7. SOURCE: 2011 CENSUS
 9. SOURCE: HER MAJESTY'S REVENUE AND CUSTOMS
 13. SOURCE: HISTORIC ADVISORY COUNCIL FOR SCOTLAND

- Independence will allow us to use our own resources and shape our own fiscal and economic policies for Scottish needs and circumstances. This will ensure greater economic security and opportunity in the future
- We plan to prioritise job creation through measures to encourage growth
- We will support manufacturing, innovation and the transition to a low carbon economy
- Scotland will continue to use the pound, providing continuity and certainty for individuals and businesses in Scotland and the rest of the UK
- We will support a labour market that helps people into work that is sustainable and fairly rewarded
- Our Fair Work Commission will guarantee that the minimum wage rises – at the very least – in line with inflation to ensure that work is a route out of poverty
- We will bring together employers and employees in a convention on employment and labour relations to build a collaborative approach to work and create a responsive labour market
- We have identified the following priorities to support the Scottish economy for the first session of an independent Scottish parliament
 - a commitment to increase the personal tax allowance, benefits and tax credits in line with inflation
 - a pre-announced reduction in corporation tax of up to three percentage points
 - a reduction of Air Passenger Duty by 50 per cent
 - the simplification of the tax system to reduce compliance costs, streamline reliefs and help to reduce tax avoidance, with a target revenue gain of £250 million a year by the end of the first term



Why we need a new approach

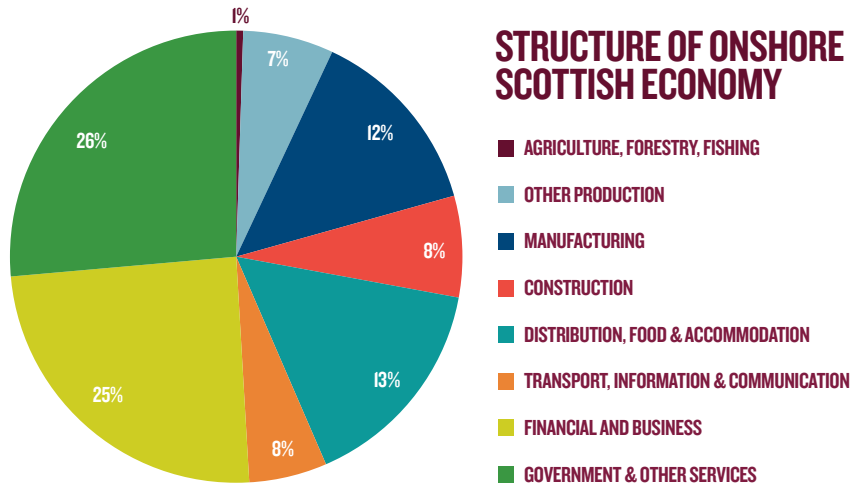
Scotland has strong economic foundations.

We have substantial natural resources, a highly-skilled workforce, a long-standing reputation for innovation, and an internationally-recognised brand, with products and companies competing at the highest level in international markets.

The First Report of the Fiscal Commission provided an overview of Scotland's economy and assessed performance relative to both the UK and other comparable nations. The Group concluded that

By international standards Scotland is a wealthy and productive country. There is no doubt that Scotland has the potential to be a successful independent nation⁴⁹.

Devolution has provided Scotland with some – albeit limited – ability to tailor policies to Scottish circumstances, and successive Scottish administrations have used these to help narrow a historic gap in economic performance with the UK.



Scotland's economic performance is now stronger than – or just as good as – the UK on key measures:

- even excluding the contribution of North Sea oil and gas, output per head in Scotland is 99 per cent of the UK average and the highest in the UK outside London and the South East⁵⁰
- adding in a geographical share of North Sea output gives Scotland an output per head almost 20 per cent higher than the UK
- in 2010 Gross National Income per head in Scotland – including the North Sea – was approximately £26,000, which compares with around £24,000 for the UK as a whole, according to experimental estimates⁵¹
- productivity, measured as output per hour worked, is now identical in Scotland to that of the UK⁵²
- amongst OECD economies, it is estimated Scotland would be ranked eighth in terms of output per head⁵³
- in 2012, Scotland's share of all new UK Foreign Direct Investment projects was nearly 11 per cent⁵⁴ – well above a population share

- Scotland's relative labour market performance has also strengthened. Scotland's employment rate has been higher, and our unemployment rate lower than in the UK as a whole for most of the recent period. Our rates of economic participation have also been better
- Scotland's public finances are estimated to have been in a relatively stronger position over the last five years, than the UK as a whole – to the tune of £12.6 billion⁵⁵

Scotland has a diverse economy with key strengths across a range of sectors such as food and drink, tourism, creative industries, life sciences, universities, financial services and manufacturing.

Scotland is rich in energy with around 25 per cent of Europe's offshore wind and tidal energy potential, and 10 per cent of Europe's wave potential⁵⁶. It is estimated that there could be up to 24 billion barrels of recoverable oil and gas remaining in the North Sea with the potential for production to continue for decades to come⁵⁷.

As a regional economy within the UK, Scotland performs relatively well on aggregate measures of economic performance, but as an independent nation we could be doing significantly better. Many of our competitors are stronger, not just economically, but also in terms of equality and wellbeing⁵⁸.

For example, Scotland's economy has grown more slowly than other comparable independent European countries in recent decades. Over time, such differences can have substantial implications for economic prosperity.

If Scotland moved from the rates of growth it has experienced in the past to instead match the levels of growth of small European countries, the benefits for people in Scotland in terms of prosperity and employment would be significant. As an illustration, had growth in Scotland matched these other independent nations between 1977 and 2007, GDP per head would now be 3.8 per cent higher, equivalent to an additional £900 per head⁵⁹.

Growth and competitiveness are important, however there is a growing recognition that the characteristics of growth and the distribution of its benefits are just as important.

Under the Westminster system Scotland is locked in to one of the most unequal economic models in the OECD – with the UK ranked 28th out of 34 countries in terms of its Gini coefficient (a key measure of income inequality)⁶⁰. Such inequalities have in fact widened rather than narrowed in recent decades⁶¹. Such patterns are not only damaging in their own right, but act to constrain growth over the long term⁶².

There is also clear evidence of increasing geographical imbalances which have concentrated jobs, population growth and investment in London and the South-East of England⁶³. At the same time, there has also been a gradual erosion of economic resilience with a declining manufacturing base, sustained current account deficits and higher levels of public and private sector debt.

The gap between rich and poor, the increasing concentration of economic activity in one small part of the UK, and growing imbalances in the structure of the UK economy all suggest that continuing as a regional economy will hamper job creation in Scotland and reduce economic security in the long term.

The economic choice in the independence referendum is about how we best equip ourselves to meet the challenges, seize the opportunities and secure the future for people living in Scotland now and in years to come.

The Scottish Government believes that the best option for Scotland is to become independent. It will create the opportunity to build an economy that takes advantage of Scotland's unique strengths and size, and which delivers a more outward focused, fairer and resilient economy.

The opportunities available to Scotland

Under the current constitutional arrangements, the Scottish Government has responsibility for devolved economic policy areas. However, responsibility for most important economic and social policies is reserved to Westminster. This includes welfare, employability, workplace relations, economic and financial regulation and consumer protection. The Scottish Parliament is responsible for just 7 per cent of taxes raised in Scotland. Even after the new tax powers of the Scotland Act 2012, this figure will only increase to around 15 per cent⁶⁴.

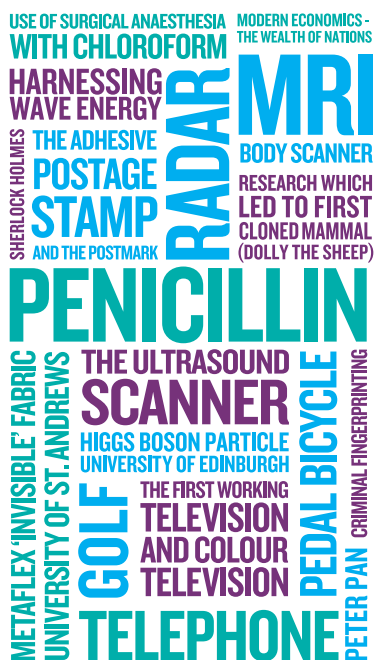
Remaining under the Westminster system restricts Scotland's ability to meet future challenges and opportunities.

We are clear about the longstanding issues to be tackled in order to drive growth and address inequality in the Scottish economy. We will need to:

- create more and better employment opportunities across all parts of the country and tackle long-standing social and economic inequalities that constrain our economic potential
- boost and diversify our businesses
- rebalance the economy and strengthen the role of manufacturing and innovation
- grow our export base and provide the framework to help support Scottish companies to compete in global markets
- encourage a longer-term focus on investment and economic sustainability
- support the transition to a low carbon economy

Since devolution our performance within the UK has strengthened⁶⁵. This illustrates the advantages of Scotland making our own decisions to the benefit of our economy. But we can do much better.

Independence will provide the government of Scotland with access to economic and fiscal levers which the Westminster Government currently controls. Future Scottish governments will be able to set policy to Scotland's own circumstances, strengths and preferences.



Having responsibility for all economic levers in Scotland will allow us to transform our country. With independence we will be able to choose an economic approach that builds on our existing strengths and which helps deliver a more outward focused, dynamic and resilient economy. For example, independence will allow future Scottish governments to build on the progress already being made to tackle climate change and to capture Scotland’s significant economic opportunities in the low carbon sector.

The performance of many small countries demonstrates the

advantage of having a policy framework appropriate to local circumstances. Evidence shows that countries similar in size to Scotland have a strong track record⁶⁶:

- currently nine of the top fifteen OECD economies measured by output per head are of similar size to Scotland⁶⁷
- small countries make up a majority of the top 20 positions in the UN Human Development Index⁶⁸

An independent Scotland will not replicate the economic structure of the UK; instead independence will bring opportunities to operate more effectively and efficiently.

This Government’s aim is that, within a decade, Scotland will achieve and maintain a place in the top 10 nations in the UN Human Development Index⁶⁹. Achieving this aim will show both an improved economic performance and that we have translated greater economic success into direct social and personal benefits for the people of Scotland.

The Scotland we can create

Since 2007, the Scottish Government has been pursuing an economic strategy with a clear purpose: increasing sustainable economic growth, with opportunities for all of Scotland to flourish.

Driving our ambition for a more successful economy are six key priorities:

- creating a supportive business environment
- delivering benefits from the transition to a low carbon economy
- improving opportunities for learning, skills development and wellbeing
- a focus on infrastructure
- ensuring effective government
- producing economic and social outcomes that are more equitable

These will remain at the centre of this government's approach in an independent Scotland.

An independent Scotland will be able to use our new powers to improve productivity, boost participation and build greater solidarity, cohesion and sustainability.

Productivity

More productive economies typically enjoy higher living standards. In 2011, Scotland's productivity was 100 per cent of the UK average measured by output per hour worked, and 99 per cent of the UK average in terms of output per filled job⁷⁰.

However, in comparison with our international competitors, Scotland's (and the UK's) performance is less favourable. Countries, such as Norway, Ireland, Denmark and Austria do better. For example, productivity in Denmark is around 12 per cent higher than in Scotland⁷¹.

Independence will provide the opportunity to target policies to Scotland's unique circumstances and challenges, and to



boost productivity. Our plans for re-industrialisation, innovation, taxation, investment and internationalisation will help to achieve this by delivering the necessary changes to our economy.

Participation and population

An engaged and productive workforce is central to long-term economic success. Greater participation increases the economy's growth potential. It is also key to addressing important social objectives, such as tackling poverty. A labour market which is resilient, adaptable to changes in economic conditions, and able to respond quickly to new opportunities and challenges is a major competitive advantage.

In recent years, Scotland has had a stronger employment record than the UK. However, consistent with the trend at the UK level, the characteristics and composition of our labour market has changed, adversely affecting job security, the rewards of work and equality of opportunity.

Many other independent countries perform more strongly both in terms of participation and job outcomes⁷². Independence will give us control over labour market policies, including direct levers such as taxation, welfare and regulation, and indirect levers such as child care and employee and employer relations.

The most significant determinant of Scotland's long-term growth gap relative to the UK has been slower population

growth. A country's population – in particular those of working age – is a key driver of long-term prosperity. Successive administrations have made boosting Scotland's population a top priority. The most recent Census showed that as at March 2011, Scotland's population stood at 5.295 million – the highest ever⁷³. However, the recent growth has only served to reverse the impact of decades of emigration and the latest population projections suggest that Scotland's working age population will not grow as rapidly as the UK as a whole⁷⁴.

Independence will provide an opportunity to grow the economy more quickly, provide more opportunities for our young people to stay and build careers in Scotland and to attract skilled workers.

Solidarity, cohesion and sustainability

Scotland is currently a more equal country than the UK as a whole⁷⁵. However, in 2010, Scotland would still have been ranked 17th in the OECD in terms of income inequality, so clearly we need to do better⁷⁶. Too often the benefits of economic growth are not shared equally across the country. Independence will provide the levers to tackle inequalities in Scotland.

Aligning tax and welfare policies, helping people to move into sustained work and supporting people to develop the skills to progress will all help support better solidarity and cohesion in Scotland.

With independence, we will have the opportunity to:

- set out a vision for the type of economy and society that captures Scotland's distinct values and build distinct economic, industrial and social policies which reflect these aims
- use welfare and employment policies to tackle long-standing inequalities – both social and regional – that have persisted for decades
- prioritise tax powers, regulation and Scotland's new global status to develop growth sectors and growth companies, widen the export base, attract investment, and support local firms to move into new and emerging markets

- develop an industrial strategy that promotes manufacturing and its links to the local supply chain
- use the full array of business policies – affecting small and large businesses – alongside the resources of the public sector and Scotland’s universities and colleges to support innovation and expand the business base
- target policy to barriers that hold Scotland back – for example, by reducing Air Passenger Duty to boost international connectivity
- build a more stable macroeconomic framework
- design a more efficient tax system
- implement an improved and streamlined consumer protection and regulatory regime which cuts back on waste and duplication
- coordinate devolved powers with new tax and expenditure responsibilities – for example, in skills and employability, childcare, tax and welfare – to deliver more coherent policies
- use full responsibility for Scotland’s natural resources, such as control of the sea bed and oil and gas reserves, to maximise the growth prospects for the future and to enable communities to benefit from our assets
- align education and skills policy with employment and industrial policies to facilitate more high value job opportunities and achieve the objective of full employment
- recognise that our island communities have challenges and opportunities that differ from those in other parts of the country in areas like transport and energy

This is not a prescriptive menu of policies, but illustrates what choices could be made with independence. It will enable future Scottish governments – whatever their political colour – to look at how we can best grow our economy and create jobs, with a broader range of options and opportunities to do things differently.



A supportive, competitive and dynamic business environment

The choices open to us

An independent Scotland will have the opportunity to pursue policies designed to grow the economy and create jobs. With responsibility for the full range of policy levers, the government of an independent Scotland will be able to create a more supportive, competitive and dynamic business environment.

Within the devolved powers currently available, the Scottish Government is pursuing a range of actions to support sustainable economic growth and higher quality jobs, including the Small Business Bonus Scheme, attracting international investment, the Scottish Investment Bank and investment in infrastructure.

With independence, future Scottish governments can build on these policies to enable Scotland's businesses to reach their full potential. Future Scottish governments will be able to make choices over tax, measures to boost innovation and exports, promote good industrial relations and support small and medium sized enterprises.

Our priorities for action

Each of Scotland's political parties will bring forward policy proposals at the future elections to an independent Scottish parliament. If elected in 2016, the current Scottish Government's priorities for action will be as follows.

A competitive and efficient tax environment

Being close to a global economic hub such as London can be an advantage for Scotland. However, London inevitably acts as an economic magnet, attracting jobs and investment (particularly headquarter operations) away from other parts of the UK. The ability to vary tax is essential to redress the unbalanced nature of the UK economy.

We plan to set out a timescale for reducing corporation tax by up to three percentage points below the prevailing UK rate. The intention of pre-announcing the cut is to stimulate economic activity in advance of it taking place and to retain and attract new investment. This will be one way to secure a competitive advantage and help to reverse the loss of corporate headquarters which has been a feature of the Scottish economy over the last 30 years.

Support for the reindustrialisation of Scotland

A key priority will be to re-balance and re-industrialise Scotland's economy, to secure a number of benefits including:

- *boosting high-value jobs* – through increased manufacturing activity⁷⁷
- *promoting innovation* – although manufacturing firms account for only 12 per cent of Scottish (onshore) output⁷⁸, they account for 66 per cent of business R&D spending⁷⁹
- *addressing geographical disparities* – the decline in manufacturing has contributed to geographical imbalances across Scotland. Increasing manufacturing activity in a local area will help develop clusters of economic activity and support local supply chains⁸⁰
- *boosting exports* – around 62 per cent of Scottish international exports are manufactured and a greater focus

on internationalisation across the economy will help boost competitiveness and support jobs⁸¹

One option for future governments to support manufacturing and boost innovation will be to use the tax system to improve incentives for investment, for example through more generous depreciation allowances for key growth sectors in Scotland.

The current Scottish Government will also develop a new industrial strategy for Scotland. Key elements of the industrial strategy will include:

- support for investment, including research and development
- support for indigenous companies and ownership by strengthening the role of the Scottish Investment Bank
- expanding skills development by bringing together employment and skills policies and putting modern apprenticeships at the heart of our approach
- expanding our manufacturing base, with a particular focus on maximising the manufacturing opportunities of our offshore energy potential
- targeted use of loan guarantees

Boosting connectivity

In the modern global economy, air connections are vital to international connectivity. Benchmarking analysis, based on 2011 data, indicated that Scotland's short haul network had almost reached the level of connectivity that would be expected when compared to peer regional networks⁸². However, Scotland's long-haul network performance is not as strong and there are clear areas for improvement to destinations such as the Asia Pacific region and North America.

With independence, government policies – for example, careful design of Air Passenger Duty (APD) – can be used to encourage the types of flights that benefit Scotland. Analysis suggests that the current APD impacts negatively on the Scottish economy, with APD in the UK now the highest tax of its type anywhere in the world.

A recent study estimated that APD will cost Scotland more than £200 million a year in lost tourism spend alone by 2016⁸³. We plan to reduce APD by 50 per cent in the first term of the independent parliament, with a view to abolishing it when public finances allow.

As an independent nation, Scotland will be better placed to work with airport, airline, tourism and other partners to sustain network development activity in long-haul markets, as part of a Team Scotland approach. The Irish Government has for example struck a deal with Customs Authorities in the US to allow passengers travelling through airports in Ireland to clear passport control before boarding the plane⁸⁴.

Maximising the opportunities of our overseas representation
At present Scottish Development International has offices across Asia, the Pacific, Europe, the Middle East and the Americas⁸⁵. An independent Scotland will prioritise our effort and resources to strengthen our international presence in the nations and markets that are of greatest economic importance to us. It is worth noting that 91 per cent of total Scottish exports currently go to 21 countries⁸⁶.

A crucial part of the role of Scotland's proposed overseas representation (see Chapter 5) will be to identify opportunities to directly promote Scottish goods and services. The Team Scotland approach will be built on and with independence our government departments, the private sector and our diplomatic missions will work together to promote Scotland.

Other actions

In addition to the priorities outlined above – all of which are designed to improve productivity, participation and cohesion – we will also take the following actions:

Support small and medium-sized enterprises

This government will continue our commitment to the Small Business Bonus which has reduced, or eliminated entirely, business rates for tens of thousands of properties across Scotland and to maintaining Scottish business rates parity with the rest of the UK⁸⁷. The tax system in Scotland will be designed to reduce compliance burdens facing small and medium-sized enterprises in particular.

The Government will also examine the case for an increase in the National Insurance employment allowance for small business.

Streamline competition and regulation policy

Competition is a key driver of productivity, exports and consumer value and choice. An independent Scotland, as part of the EU, will continue to meet the regulatory requirements associated with membership – many of which relate to the operation of the Single Market. We will also develop and deliver a streamlined and efficient regulatory model with a combined regulatory body with a single, strong voice, both in Scotland and internationally, on competition and consumer issues⁸⁸.

Strengthen consumer protection

Scottish consumers are an important part of the economy⁸⁹. In order for economic activity to flourish it is important that consumers are able to trust businesses. We will establish a more integrated, simplified consumer landscape with a single consumer body to take into account Scottish specific issues, such as unfair parcel delivery charges in rural areas, building on the Scottish Government's proposal for a combined economic regulator.

Directly influence EU legislation

With independence Scotland's government will be able to represent Scotland's interests as a full and active participant in the EU.

Maximise investment

Investment in infrastructure will remain a central part of the Scottish Government's approach to supporting long-term sustainable economic growth. On independence the Scottish Government will make our own decisions about resources for capital investment. We will have full access to capital borrowing and will take forward infrastructure priorities as set out in our Infrastructure Investment Plan.

Increasing innovation throughout Scotland's economy
Innovation is a key driver of productivity and growth⁹⁰. Firms innovate in order to stay ahead of their rivals, through the

production of new knowledge or the application of existing knowledge.

The top-performing small independent countries emphasise science and innovation in their economic strategies. Many small countries have been increasing their research and development (R&D) spending, as a percentage of GDP, more quickly than larger economies⁹¹. From 2001 to 2011 total R&D spend rose as a percentage of GDP in Finland, Denmark and Ireland. In contrast, R&D spend as a percentage of GDP in the UK and Scotland remained broadly unchanged over this period⁹².

This investment in science and technology, and in education and training more generally, has allowed many of our competitors to strengthen their performance in export markets – in particular high technology export markets – and support economic growth.

The largest proportion of R&D spend comes from the private sector – on average around two thirds of total R&D expenditure across OECD countries⁹³. However, in Scotland this proportion is considerably lower, with the largest contribution to total R&D spend coming from investment by the Higher Education sector⁹⁴.

Scotland's investment in Higher Education R&D is world class – the latest official statistics show that, in 2011, Scotland's Higher Education R&D expenditure as a percentage of GDP ranked top of the 12 countries/regions of the UK, and fourth highest among the OECD countries⁹⁵.

Key priorities for Scotland will be to find ways of boosting business spending on research and development, whilst enabling higher levels of commercialisation of the world-class research produced at Scottish universities.

With independence Scotland will further strengthen the relationships and linkages between key partners in innovation – including businesses, universities, funding providers, companies, and public sector agencies – in a coherent strategy with shared priorities.

Direct financing levers

With independence we will develop and expand direct financing instruments, including the provision of credit loans and guarantees and encouraging higher levels of equity financing and venture capital.

Indirect financing levers

Tax based incentives that are aimed at encouraging investment in innovation activities can be applied to either expenditure (related to R&D) or income that results from investment in R&D. Following independence this Government will examine how best to develop and target such tax relief to encourage Scotland's innovative industries.

Intellectual property

We will ensure continuity of the legal framework for protecting intellectual property rights. Independence will also allow Scotland to offer a simpler and cheaper, more business-friendly model than the current UK system, which is bureaucratic and expensive, especially for small firms. The UK is one of the few EU countries which does not offer a scheme which covers the basics of protection. Scotland could follow, for example, the German model which protects technical innovations.

Scotland also has a distinctive body of expertise in dispute resolution through the Scottish Arbitration Centre which could be developed as an international centre of excellence in arbitration.

We recognise that researchers are highly skilled, and globally mobile. Scottish universities recruit researchers from across the world, whilst many Scottish researchers work in institutions in other countries. With responsibility for immigration policy this Scottish Government will amend recent Westminster Government restrictions which impact in particular on the ability of our universities and colleges to attract international students. We will develop an approach to immigration to attract international talent at a level that would support high growth companies to develop and grow (see Chapter 7).

Innovation is not limited to high tech sectors. It can also drive growth across the economy by investing in new approaches to meeting customer needs and attracting attention to Scottish products. For example, VisitScotland developed a unique partnership with The Walt Disney Company to make the most of the opportunity of the animated feature *Brave* to boost tourism in Scotland. The Scottish Government and VisitScotland have continued to build on this innovative relationship with the world's largest entertainment organisation, showing Scottish food, drink and culture and promoting our assets as a tourism destination at the recent eighth Epcot International Food & Wine Festival at Walt Disney World in Orlando, Florida.

A valued and well-rewarded workforce

The choices open to us

A country's people are its greatest asset and it is vital that everyone in Scotland has the opportunity to fulfil their potential. Well rewarded and sustained employment is the best route out of poverty and the best way to tackle inequality.

All the actions described in this chapter are designed to improve job opportunities and long-term economic resilience. With independence, we will focus on creating better work opportunities, with the aim of creating maximum employment for the entire workforce and the long-term success of Scotland's economy.

Under devolution the Scottish Government has responsibilities for education and skills, but not for employment regulation, tax or welfare policies, all of which are crucial to support people entering and remaining in employment. The Scottish Government is responsible for training the present and future workforce, equipping them with the skills and knowledge they need, but has no say in how they are treated once they are in a job.

The Scottish Government has used our responsibilities to support employment, in particular to address the challenge of youth unemployment. The action we have taken includes a commitment to 25,000 new apprenticeship opportunities in each year of the current Parliament, the majority of which are targeted at young people; and Opportunities for All, which is a

guaranteed place in education or training for all 16-19 year olds not already in learning, training or employment.

Independence will enable future Scottish governments to create a more coherent framework for employment and the labour market – one that links education, employability training, welfare, taxation and health with action aimed at creating a supportive business environment to foster job creation. It will also allow us to create joined up services which match job seekers and opportunities, within a supportive culture, offering help and assistance to those furthest from the labour market.

The success of Scotland in creating job opportunities and greater economic security than at present will also depend crucially on a sense of cohesion. There is good evidence that countries of Scotland's size that perform well have a sense of shared national purpose⁹⁶. With independence steps can be taken to improve cohesion, and partnership within the economy.

Our priorities for action

The priorities for action for this Scottish Government in the first term of an independent Scottish parliament will be to:

- work directly with the trade unions, employer associations, employers and the voluntary sector to build a partnership approach to addressing labour market challenges
- create sustainable employment that pays fairly through changes to the minimum wage and a commitment to the living wage
- encourage people into work through a focus on early intervention and policies that support skills, training and opportunity

We will work with the STUC and the business community on mechanisms to formalise the relationship between government, employer associations and employee associations with a particular focus on encouraging wider trade union participation and in recognition of the positive role that can be played by collective bargaining in improving labour market conditions. For example, evidence from the OECD shows that stronger trade

unions tend to reduce inequality in labour income and ensure a more equal distribution of earnings⁹⁷.

With independence powers over employment legislation will transfer from Westminster to Scotland. Employment law and regulations cover minimum terms and conditions, maternity and paternity rights, worker representation, the rules around unions and collective bargaining and the minimum wage.

The Scottish Government has adopted a strong social partnership approach, working with the voluntary sector, unions, employer associations and employers directly. With independence we will build on this approach.

We have proposed a Fair Work Commission which, as part of a remit, will deliver the mechanism for uprating the National Minimum Wage.

We will also establish a National Convention on Employment and Labour relations. Bringing together labour market regulation and other employment-related policies in a forum which encourages direct and constructive dialogue across all key stakeholders will be a major advantage. This could, in principle, range from a focus on high-level issues such as labour market reform, to sectoral issues such as addressing skills-shortages in key sectors and particular policy initiatives such as the Living Wage.

Employee representation

Analysis by the TUC shows that in 14 of the 28 EU member states workers have the right to be represented on company boards⁹⁸. These countries have adopted different models in line with their own circumstances and cultures. There are differences for example in how worker representatives are nominated and elected and which companies are covered by the requirement.

Employee representation can help to bolster long-term decision-making and improve industrial relations. There are already examples of good practice here too – First Group has had an employee director since the company was created in 1989.

In an independent Scotland we will consult on the best form of employee representation on company boards.

We will also take steps to ensure that women have equal opportunities in terms of the quality as well as the number of jobs. Greater action needs to be taken to improve female representation and diversity on company boards.

Whilst the Westminster Government requires firms to report the number of men and women on their boards⁹⁹, and has a target to increase the number of women on FTSE 100 boards to 25 per cent by 2015¹⁰⁰, a number of European countries have adopted a more progressive attitude to gender balance on company boards. Belgium, Italy, France, Iceland and Norway have already introduced legislation requiring a gender quota on boards¹⁰¹.

The Scottish Government will consult on a target for female representation on company – and public boards – and, if necessary, we will legislate as appropriate.

Independence will allow Scotland to bring together all of our resources and expertise, including academic and industry expertise, employee and employer organisations, in direct and constructive dialogue across Scotland's economic sectors – including new and emerging sectors, such as renewables – and on key issues, such as the Living Wage, zero-hours contracts and access to Employment Tribunals. An independent Scotland can examine innovative ways to support improvements in the productivity and well-being of the workforce.

Sustainable and fairly rewarded employment

The Scottish Government believes that it is absolutely vital for our economy and for our society that work pays, and that work pays fairly. The living wage and minimum wage will be central elements of our employment policy.

Living Wage

Achieving fair levels of pay is a fundamental aspect of building a more equal, socially just society. More of the people living in poverty today are in work than out of it and this trend has increased since the mid-1990s¹⁰². The Scottish Government fully supports the Living Wage campaign and its principle of encouraging employers to reward their staff fairly. We have led by example by ensuring all staff covered by the public sector pay

policy are paid at least the Scottish Living Wage. This covers the 180,000 people in Scotland working for central government, our agencies and the NHS¹⁰³ benefiting directly up to 3,300 workers¹⁰⁴. This is part of the Government's "social wage" – the contract between the people of Scotland and their government.

Our commitment to support the Scottish Living Wage for the duration of this Parliament is a commitment to those on the lowest incomes. However, over 400,000 people in Scotland are working for less than the living wage, which is nearly a fifth of the Scottish workforce and the majority of these low paid workers are women¹⁰⁵. The Scottish Government is funding the Poverty Alliance to deliver a Living Wage Accreditation Scheme to promote the living wage and increase the number of private companies that pay it to make decent pay the norm in our country. We will continue to support and promote the living wage in an independent Scotland.

Minimum Wage

Around 70,000 people currently receive the minimum wage in Scotland¹⁰⁶. In real terms the minimum wage has failed to increase in almost a decade and in every single year since the recession of 2008 it has failed to keep up with the cost of living – if the minimum wage had increased in line with the cost of living over the past five years some of the lowest paid Scots would now earn almost £675 a year more than they do today¹⁰⁷.

This Scottish Government is therefore giving a firm commitment that if we are the government in an independent Scotland, the minimum wage will in future rise at least in line with inflation.

This Scottish Government's Fair Work Commission, with members drawn from business, trade unions and wider society, will advise the government on the minimum wage. The Commission will also provide advice on other factors relating to individual and collective rights which contribute to fairness at work and business competitiveness, recognising that both are integral elements of sustainable economic growth in Scotland. The Commission will work with the larger Convention on Employment and Labour Relations. Together they will help the Scottish Government foster a constructive and collaborative

approach to industrial relations policy and formalise the relationship between government, employers, trade unions and employee associations.

Other actions

Other specific policies that the current Scottish Government will pursue to improve the labour market will include:

A Youth Guarantee

The Youth Guarantee will establish the opportunity of education, training or employment as constitutional rights. In an independent Scotland this right could be extended to those aged up to 24 years old, building on the success of the current Opportunities for All guarantee of employment, apprenticeship or training for all young people age 16 to 19. This approach will put us in line with the rest of Europe where the EU Youth Guarantee aims to offer young people across Europe a job, apprenticeship, traineeship or education place within four months of becoming unemployed or leaving education. A new programme of EU funds will become available from 2014 to allow member states to make significant progress on this commitment.

A focus on early intervention

Employment services in an independent Scotland will be built on the principle of “early intervention”, and seek to prevent individuals from becoming long-term unemployed with all of the associated problems for individuals and for society. An early assessment of needs can provide support when required rather than after nine or 12 months as happens under the current system.

Integration of skills and employability

Following independence, we will bring together job matching, employability training and career guidance, currently being delivered separately in Scotland by the Department for Work and Pensions and Skills Development Scotland. This will allow local service delivery to be customised more closely to the needs of individuals. We will also aim to provide more tailored and coherent provision and increase the involvement of the Third Sector.

Strengthening employment protection

While each element of employment regulation has individual impacts, taken together as a system, they need to balance the twin objectives of protecting the rights of employees and encouraging companies to grow and create good quality jobs. The current Scottish Government plans to reverse recent changes introduced at Westminster which reduce key aspects of workers' rights. For example on independence we will restore a 90 days consultation period for redundancies affecting 100 or more employees.

Abolish the Westminster Government's Shares for Rights scheme

This scheme encourages workers to give up employment rights in areas such as unfair dismissal and redundancy pay in return for tax incentives on shares in their employers. The TUC has criticised the scheme and notes that there was overwhelming opposition to the proposals during the consultation process¹⁰⁸. The Institute for Fiscal Studies has described the policy as having all the hallmarks of another tax avoidance scheme¹⁰⁹.

An effective immigration policy

We plan to develop and operate a controlled, transparent and efficient immigration system that best meets Scotland's needs. This will include a points based approach targeted at particular Scottish circumstances. We will also reintroduce the post-study work visa, which was abolished by the Westminster Government in April 2012 (see Chapter 7). This visa will encourage more talented people from around the world to further their education in Scotland, providing income for Scotland's institutions and contributing to a growing economy.

Our currency, fiscal rules and financial regulation

The choices open to us

A robust macroeconomic framework is essential to deliver robust economic growth and to create jobs. The Fiscal Commission, comprising eminent economists including two Nobel laureates, has explored the full range of options available to Scotland.

Their first report analysed an independent Scotland's currency choices, and the inter-linkages between a framework for monetary policy, financial stability and fiscal sustainability¹¹⁰. Having considered in detail all the options, they put forward a robust framework – including retention of the pound – which will be workable from day one of independence.

Currency and monetary policy

An independent Scotland will be able to decide our currency and the arrangements for monetary policy.

Four currency options were examined by the Fiscal Commission – the continued use of Sterling (pegged and flexible), the creation of a Scottish currency and membership of the Euro.

They concluded that retaining Sterling as part of a formal monetary union with rest of the UK will be the best option. The Fiscal Commission proposed a practical and workable model, including governance and institutional arrangements that would create a successful and robust framework.

The Commission's analysis shows that it will not only be in Scotland's interests to retain Sterling but that – post independence – this will also benefit the rest of the UK.

Under such an arrangement, monetary policy will be set according to economic conditions across the Sterling Area with ownership and governance of the Bank of England undertaken on a shareholder basis.

Choice of currency arrangements

The Fiscal Commission considered the currency options for an independent Scotland. Following a detailed analysis of the various options, the Commission¹¹¹:

“commends to the Scottish Government retaining Sterling as part of a formal monetary union, and believes that this provides a strong overarching framework for Scotland post-independence.”

Analysis highlights a number of key reasons why this would be in both Scotland and the UK’s interests immediately post-independence¹¹²:

1. the UK is Scotland’s principal trading partner accounting for 2/3 of exports in 2011, whilst figures cited by HM Treasury suggest that Scotland is the UK’s second largest trading partner with exports to Scotland greater than to Brazil, South Africa, Russia, India, China and Japan put together
2. there is clear evidence of companies operating in Scotland and the UK with complex cross-border supply chains
3. a high degree of labour mobility – helped by transport links, culture and language
4. on key measurements of an optimal currency area, the Scottish and UK economies score well – for example, similar levels of productivity
5. evidence of economic cycles shows that while there have been periods of temporary divergence, there is a relatively high degree of synchronicity in short-term economic trends

It would, of course, be open to people in Scotland to choose a different arrangement in the future. However, we believe that this proposal is the right one for Scotland and that it reflects the modern partnership that we seek between the nations of these isles following independence.

A shared successful monetary union needs to have an adequately designed framework for financial stability and fiscal sustainability. These are areas which have also been examined in detail and reflected in the recommendations and advice of the Fiscal Commission.

Financial stability and financial regulation

The financial crisis showed that many countries, including the UK, had allowed flawed models of regulation to develop. It also demonstrated that regulation can only be effective if it takes account of the global nature of financial institutions. That's why we have seen an increasing emphasis on international collaboration in recent years.

With independence, Scotland will become a full member of the EU and, as highlighted above, will retain Sterling.

Membership of the EU and the increasingly integrated single market for financial services will be central to Scotland's continuing success as a leading financial centre. We will adopt EU initiatives, just as the UK does at present. The only implication for the rest of Europe, or for multinational companies, is that such rules, regulations and directives will be implemented in 29 countries instead of 28.

Financial products and services (including deposits, mortgages, and pensions) will remain denominated in the same currency. Moreover, as part of the same single market, firms will, in the main, continue to provide products and services to consumers across Scotland and the UK no matter where they are based.

There are two main areas of financial regulation.

Firstly, there are regulations that relate to the safety and soundness of financial institutions and the overall financial system as a whole.

Secondly, there are regulations relating to the conduct and behaviour of financial institutions and how they interact with their customers.

An independent Scotland will establish our own regulator, as is the case in all other EU countries.

For the first aspect of financial regulation – financial stability – in light of reforms to improve the resilience of the global financial sector, the clear trend toward cross-border co-ordination and with significant financial firms operating across Scotland and the UK, financial stability policy will be conducted on a consistent basis across the Sterling Area. This is in line with the proposal of the Fiscal Commission¹¹³. It is also consistent with international trends, which includes the creation of a European Banking Union with the European Central Bank taking responsibility for regulating the largest Euro Area banks.

There are a number of practical arrangements for how this could be achieved.

The Fiscal Commission set out that the Bank of England Financial Policy Committee will continue to set macroprudential policy and identify systemic risks across the whole of the Sterling Area. There could be a shared Sterling Area prudential regulatory authority for deposit takers, insurance companies and investment firms. Alternatively this could be undertaken by the regulatory arm of a Scottish Monetary Institute working alongside the equivalent UK authority on a consistent and harmonised basis.

The Bank of England, accountable to both countries, will continue to provide lender of last resort facilities and retain its role in dealing with financial institutions which posed a systemic risk.

Where financial resource was required to secure financial stability, there will be shared contributions from both the Scottish and Westminster Governments based on the principle that financial stability is of mutual benefit to consumers in both countries.

This will reflect the fact that financial institutions both in Scotland and the UK operate – and will continue to operate – with customers in Scotland, England, Wales and Northern Ireland and their stability will benefit all concerned.

Scotland will play our full part in protecting the financial system on these isles, taking responsibility for activity within Scotland as part of joint action across the Sterling Area.

Such a framework is consistent with the clear trend toward greater international co-operation on financial stability. An additional key lesson from the recent financial crisis was the need for more robust frameworks to monitor financial risks across borders and to establish frameworks so that financial institutions cannot be 'too big to fail'. Our approach is consistent with this.

Financial products, financial regulation and protecting consumers

The second aspect of financial regulation covers the monitoring of the conduct and behaviour of firms in local markets, to ensure that financial markets function well, with choice and competition, whilst protecting consumers. It is proposed that this aspect of financial regulation will be discharged by a Scottish regulator which will assume the key responsibilities of the UK Financial Conduct Authority in Scotland.

It will work on a closely harmonised basis with the UK regulators, delivering an aligned conduct regulatory framework, to retain a broadly integrated market across the Sterling Area. The regulatory approach will include the application of single rulebooks and supervisory handbooks.

This framework will mean that firms will be able to continue to provide financial products and services no matter where they are based (for example, banks based in the UK will continue to provide services to customers in Scotland and vice versa).

An independent Scotland will work with the UK and EU to continue to realise the joint benefits of an integrated market.

The market for financial products between Scotland and the UK – including bank accounts, pensions, loans and insurance – is highly integrated. Under the framework set out above, this will largely continue after independence and will be consistent with the development of the European Single Market on financial services. This ensures that consumers can choose not only from providers of financial products and services in their home market, but also providers based elsewhere in Europe.

Where there is a fully integrated market with products able to be bought across Scotland and the rest of the UK, one common Bank of England interest rate for the Sterling Area and close alignment between the two economies and regulatory structures, there is no reason for borrowing rates for consumers to be affected.

Private pension provision will also be unaffected. Existing arrangements that individuals have with private pension providers will continue and pension payments will continue to be paid in Sterling. See Chapter 4 for more information on pensions.

In an independent Scotland, this Government will continue to support existing tax-free savings products, like savings and investment ISAs. Existing schemes will be honoured in full following independence.

We will also continue to have compensation schemes in place, providing protection equivalent to that which is available in the UK, and in line with European harmonised levels of consumer protection. This includes bank deposits, which under EU harmonised rules, are protected at the equivalent of €100,000 (£85,000). Consumers in both Scotland and the rest of the UK will remain protected on a consistent basis.

Compensation schemes will be funded by a proportionate industry levy, as is currently the case. As part of the framework for financial stability proposed above, the Scottish Government sees merit in a jointly-operated or co-ordinated scheme across the Sterling Area for key aspects of compensation.

Scotland will also be responsible for our own competition and consumer protection landscape, including money advice and financial ombudsman services. Much of this landscape is fragmented at the moment, and there is significant scope to deliver this more efficiently in an independent Scotland offering a real opportunity to deliver better outcomes for consumers.

For example, many people in Scotland, including some of the most vulnerable are getting into severe financial trouble using short-term credit, such as pay day loans, which have extremely high interest rates and default charges. Payday lenders will be subject to tougher regulation in an independent Scotland. This Government plans to introduce a cap on short-term interest rates – as there is in many countries in Europe, Japan, Canada and some US states – and to regulate advertising and place restrictions on the ‘rolling over’ of loans, which sees those unable to pay off the initial debt saddled with a bigger loan that is more difficult to clear.

Fiscal framework

The third aspect of a robust macroeconomic framework is a sustainable fiscal framework. Scotland has sound public finances, and a relatively strong position compared to the UK as a whole.

We will introduce a robust fiscal framework, which will promote stability and provide flexibility to respond to economic shocks. This will be a key foundation of sustainable economic growth in Scotland and will be based on a system which ensures that public sector debt and borrowing are managed effectively and responsibly.

We will follow the advice of the Fiscal Commission, which has highlighted a number of features that are desirable for the fiscal framework of an independent Scotland¹¹⁴. These include:

- fiscal rules to promote fiscal discipline and help ensure that the public finances remain on a transparent and sustainable path
- the establishment of an independent Scottish Fiscal Commission to provide advice on and scrutiny of Scotland’s public finances
- the creation of a sovereign wealth fund – a Scottish Energy Fund – to enhance both the Scottish Government’s ability to manage short-term fluctuations in oil revenues and to promote long-term fiscal sustainability¹¹⁵

The Scottish Government recognises that a sustainable fiscal framework is important no matter the currency arrangement. However, it is particularly important in a well-functioning monetary union to avoid significant divergences in fiscal balances.

That is why such a monetary framework will require a fiscal sustainability agreement between Scotland and the rest of the UK, which will apply to both governments and cover overall net borrowing and debt. Given Scotland's healthier financial position we anticipate that Scotland will be in a strong position to deliver this.

Within this overarching framework the Scottish Government will have full autonomy to use our fiscal and wider economic independence to boost growth, address any weaknesses in the Scottish economy and take advantage of opportunities for growth. This will need to be managed responsibly.

Monetary unions allow for significant differences in fiscal and economic policies. For example, Luxembourg and Belgium have been in currency union for decades but have substantial variations in tax policies, VAT is 15 per cent in Luxembourg and 21 per cent in Belgium¹¹⁶. Corporation tax in Ireland remains at 12.5 per cent but is higher elsewhere in the Eurozone¹¹⁷.

Our tax system

The choices open to us

Within the current constitutional arrangements the Scottish Parliament, even after the implementation of the Scotland Act 2012, will be responsible for only 15 per cent of Scotland's tax revenues¹¹⁸. The Scottish Parliament will have a limited ability to vary income tax rates, be responsible for Land and Buildings Transaction Tax (a new, more progressive tax replacing Stamp Duty Land Tax), and the Scottish Landfill Tax, and retain continuing responsibility for Council Tax and Business Rates.

In contrast, with independence the Scottish Parliament will have full control over taxation. It will be for the elected government and parliament of the day to decide on individual taxes in an independent Scotland.

Until such times as tax rates are changed by a future Scottish government, they will remain the same as the prevailing rate in the UK. Future Scottish governments may wish to vary tax rates and/or thresholds for a variety of reasons. However, there will be no necessity to do so to pay for current spending.

In addition to increased flexibility in relation to tax policy, independence will allow the tax system as a whole to be re-designed based on a clear set of principles and to better link to complementary areas of policy such as welfare. Independence will provide an opportunity to design a Scottish tax system based on specific Scottish circumstances and preferences¹¹⁹.

The UK tax system is complex and inefficient. It is estimated that there are over 10,000 pages of tax legislation making it one of the longest tax codes in the world, and the Office of Tax Simplification (OTS) found in 2010 that there were 1,042 separate exemptions in the UK tax system. The Fiscal Commission and other commentators, such as the Institute for Fiscal Studies, has recognised the potential for Scotland to design a simpler and more efficient tax system following independence.

Unnecessary complexity in the tax system, through multiple exemptions, deductions and allowances, creates opportunities for tax avoidance. By designing a simpler tax system based on a clear set of principles with fewer reliefs and exemptions, Scotland could reduce the scope for individuals and corporations to exploit opportunities to avoid paying their fair share of taxes and so generate additional public revenues without increasing tax rates.

A more complex tax system is also costly to administer, as well as placing extra compliance costs on taxpayers. The most recent data shows that administration costs, measured as a proportion of net revenues collected, are higher in the UK than many countries. Over the last three years of data, UK administration costs were higher on average than many countries of a comparable scale to Scotland, including Denmark, Sweden and Finland¹²⁰.

Our priorities for action

Detailed policies on tax and spending will be set out in party manifestos for the 2016 election and thereafter in the first budget in an independent Scotland. There is no requirement to increase taxes to pay for the services we currently enjoy in Scotland. The approach to tax of the current Government will focus on fairness and economic growth. To reflect this, if we are elected to be the first government of an independent Scotland, our early priorities will be those set out below.

We plan to build a taxation system which stimulates the economy, builds social cohesion and sustains Scotland's public services. These priorities will mark the first steps in reforming the tax system that we will inherit upon independence. They will also pave the way for a more significant review of the tax system in the early years of independence – in order that we can realise the full benefits of a modern and efficient tax system.

This Scottish Government's priorities will be to:

Increase personal allowance and tax credits by inflation.

Personal allowances, the thresholds between income tax bands and caps on National Insurance Contributions, as well as tax credits, have all been used by successive Westminster governments to adjust the burden of taxation and the tax-take. However, these approaches to taxation can be complex and not transparent to the individual taxpayers. This Government intends following independence to introduce a clear and simple tax system in an independent Scotland. We plan in the short-term to increase transparency and certainty in the current system by uprating the basic rate allowances and tax credits by inflation each year, preserving their value in real terms. Our progressive policy will help the lowest paid workers in our economy.

Reduce Air Passenger Duty (APD) by 50 per cent. A recent study by York Aviation estimated that APD will cost Scotland more than £200 million a year in lost tourism spend alone by 2016. In addition to the direct losses to the Scottish economy, a report earlier this year by PWC showed that reducing APD



would increase other tax receipts, such as VAT¹²¹. A reduction in APD will allow Scotland's airports to be more competitive in attracting new direct air routes and will improve our international connectivity. More direct routes will also enable Scottish travellers to avoid connections via airports such as Heathrow. As an early priority for action the Government plans to reduce APD by 50 per cent, with a view to eventual abolition of the tax when public finances allow. This tax cut will encourage business travel and reduce costs for families of holiday flights from a Scottish airport.

Set a competitive corporation tax. We can send a clear signal that Scotland is one of the most competitive and attractive economies in Europe, with tax rates designed to boost economic activity and support the fast-growing industries that already have a comparative advantage here in Scotland. Corporation tax rates remain an important tool for securing competitive advantage and for offsetting competitive advantages enjoyed by other parts of the UK, notably London.

This Government plans to set out a timescale for reducing corporation tax by up to three percentage points below the prevailing UK rate. Modelling suggests that such a cut could increase the level of output by 1.4 per cent, boost overall employment in Scotland by 1.1 per cent (equivalent to 27,000 jobs) and raise overall investment in the Scottish economy by 1.9 per cent after 20 years¹²².

Ending the Westminster Government's proposals for tax allowances for some married couples. This scheme will effectively discriminate against many families where both partners work, unmarried couples, widows, widowers, single parents and women who have left abusive relationships. Under the proposed system, around two-thirds of all married couples will not benefit and analysis of the proposals suggest that couples with children are much less likely to receive the full allowance and that many low and middle income married couples are likely to have much of the tax break clawed back through the benefits system¹²³. The Institute for Fiscal Studies has noted that because of the way the scheme will operate some people will be worse off after a pay rise and that even if a government wanted to reward marriage through the tax system there are simpler ways of doing so¹²⁴. With access to tax and benefit powers the Scottish Government will make a different choice from that made by the current Westminster Government. Our priority is to help families with children by expanding childcare provision.

Examine the case for increase in National Insurance employment allowance for small business. Across most OECD countries both employees and employers make social security contributions. This Government plans to examine the potential to increase the employment allowance for small businesses to encourage employment.

Design a more efficient tax system. The Government plans a simple and transparent tax system after independence designed to minimise the opportunities for tax avoidance – such as the Shares for Rights Scheme – that have been exposed in the UK system¹²⁵, which mean too many individual and corporate taxpayers do not pay their fair share. Over the course of the first independent parliament, the Scottish Government and Revenue Scotland will work together to simplify the tax system to reduce compliance costs, streamline reliefs and help to reduce tax avoidance, with a target revenue gain of £250 million a year by the end of the first term.

In addition, we intend the administration of the tax system in Scotland to be simpler and lower cost. In particular, this

Government will task Revenue Scotland to reduce compliance costs for small and medium sized businesses in Scotland to counter what can often be the regressive impact of such costs on small business that generate valuable employment.

As recommended by the Fiscal Commission, the Scottish Government proposes a transitional period during which the current functions of HMRC are continued in Scotland and the rest of the UK on a shared services basis¹²⁶. Taxpayers will therefore see no immediate change to their current arrangements for paying tax on independence. However, the initial improvements to the system will be in place within the period of the first independent parliament.

We plan to develop a new tax system for Scotland to better meet key policy objectives, based on the design principles of a modern and efficient system set out by the Fiscal Commission:

- **simplicity** – tax rules and obligations are well known, easily understood and liability is clear
- **neutrality** – the negative or unintended effects of taxation should be minimised and decisions on taxes should be made on merit
- **stability** – of both tax revenue stream and tax rules and procedures, allowing predictability and certainty in the decision making and planning of individuals, businesses and government
- **flexibility** – to respond to change, particularly in a dynamic and constantly evolving global economy

A tax system based on such clear principles will minimise administration and compliance costs, maximise tax-take and boost investment and growth. We have already demonstrated our commitment to these principles in bringing forward and enacting legislation for the new Land and Buildings Transaction Tax.

The burden of taxation and the administrative compliance costs form only one – but important – factor in the overall cost and ease of undertaking business in an economy. There is therefore the opportunity to develop taxation policy in conjunction with

wider economic policy to create a comprehensive and coherent framework to continue to build upon the competitive business environment in Scotland.

In our preparations for independence we will be guided by the Commission's recommendations. These are:

- the tax system should be built around Scottish circumstances and preferences to help increase productivity and economic growth while meeting the needs of the people of Scotland
- the tax and welfare systems are key levers for tackling inequality – both are strongly interlinked and should be considered as fundamentally part of the same system. Welfare and tax policy should therefore be developed in tandem to ensure policy integration and alignment
- appropriate tax rates maximise receipts by creating the optimal level of economic activity and revenue raising potential. The Scottish Government should assess the optimal balance of tax rates and bases for key taxes, such as business and employee taxes, and levels of government spending
- an open and consultative approach with industry, independent experts, employer groups, the trade unions, and the general public, should be adopted when designing and reviewing the effectiveness of tax administrative policy to ensure the system is comprehensive, inclusive and maximises compliance

Following these recommendations will allow an independent Scotland to design a modern and effective tax system that reflects Scotland's size and circumstances and is better suited to our economic needs.

Transport

Why we need a new approach

Scotland's geographical position makes strong international and cross-border transport links vital for our economic success and our social wellbeing. Connecting Scotland with the world will never be a top priority for a Westminster Government, with its



focus on the transport needs of London and the South East. It is only with independence that we can make choices based upon what is right for Scotland and our economy and what is right for communities and the quality of life of our people.

The future of high-speed rail is just one example. Current confirmed plans exclude Scotland and Northern England, with the next phases of high-speed rail only due to connect London with Birmingham in 2026 and then Leeds and Manchester by 2033. While this investment will provide capacity and bring some journey time savings between the Central Belt and London, the economic benefits to Scotland, as well as the North East and far North West of England are marginal compared to those which will accrue to other areas of the UK. Indeed, the Westminster Government's own analysis shows that Aberdeen and Dundee's economies may suffer from such a partial approach¹²⁷.

A similar failure is clear in relation to Air Passenger Duty. Westminster's refusal to devolve Air Passenger Duty to Scotland has hampered our ability to attract new direct flights to Scotland that would improve our international connectivity and could reduce the costs to people and families in Scotland of both holidays and business travel.

The Westminster Government continues to have responsibility for key aspects of transport policy and, just as importantly, takes the final decision on the size of Scotland's budget. This has included a massive reduction in the capital spending available for crucial infrastructure projects in our country. Scotland's ability to support much needed infrastructure development has been hampered by decisions taken elsewhere, both in terms of overall spending limits and in the ways in which we are allowed to spend our money as a result of Treasury rules. This has meant slower progress on vital infrastructure and transport investment than would have been the case as an independent nation.

The opportunities available to Scotland

Independence will provide Scotland with full flexibility and more choices for our transport system. We will be able to assess our capital investment needs and our forward investment based on Scotland's budgetary position, rather than within boundaries set by Westminster. We will be able to consider options such as different ownership models for the rail network, and address issues with Scotland's international connections to the global marketplace, developing our air and sea access to the most important markets.

Since 1999, successive Scottish governments have improved transport within current devolved responsibilities, illustrating the value of decision-making on Scottish priorities for transport within Scotland, and connecting investment in transport with wider policy objectives.

For example, this Government is committed to connecting communities and developing the local and national economies of Scotland through projects such as the Borders Rail link and the Air Discount Scheme.

Following the transfer of some responsibilities for our railways, two new passenger lines and six new stations have been opened and across the network we have seen a 30 per cent increase in passenger use¹²⁸. Road Equivalent Tariff has been introduced for more island ferry routes and we have been able to take forward major road projects to improve and complete our motorway network.

These actions demonstrate what can be achieved with a limited range of responsibilities and show that Scotland is well placed to respond more effectively to our nation's strategic transport needs with the full powers of independence.

The Scotland we can create

Independence will provide future Scottish governments with the ability to make decisions that suit Scotland's particular transport needs, creating projects and policies that are based on strong evidence of economic benefit and social cohesion.

These new powers can be used to continue the improvements to our transport networks both within Scotland and linking to Scotland. They will support economic and social opportunity by strengthening the connections between urban and rural, island and mainland, national and international, and the people of Scotland and their public services.

Independence will enable us to develop a fully integrated transport system with decision-making on the key issues being taken in Scotland and for Scotland. This means we can move forward with a clear ambition to deliver:

- integration between different modes of travel and different functions
- integration between all the powers of government to support transport and wider objectives
- full integration with the global community of nations

The choices open to us

Future Scottish governments will be able to align transport policy with other policy choices to create a more comprehensive transport strategy covering both national and international connections.



For example, independence creates the opportunity to integrate the transport network fully with the other infrastructure networks that are crucial to growing the economy. We will be able to align transport policy with energy policy to achieve Scotland's ambitious decarbonisation targets. That means the electrification of rail and the development of electric vehicles can work in tandem with the expansion of renewable energy generation and the roll-out of smart grid technologies to drive down transport emissions, enabling Scotland to meet the commitment to achieve the almost complete decarbonisation of road transport by 2050.

There will be an opportunity to decide the best way to structure and support our railways, including the best ownership model for rail and track for the benefit of the people of Scotland.

The Scottish Government is currently procuring a ten-year Scotrail franchise with a five-year review and a separate Sleeper franchise. Both procurement exercises are being expertly run under existing devolved powers by Transport Scotland and have attracted healthy interest. We are confident that they will bring better services to passengers. However, the current franchise model is unnecessarily constrained by the limits imposed by UK legislation. In the future, an independent Scotland will be free to pursue legislation that enabled alternative approaches, including public-supported and not-for-profit models. Enhanced borrowing

powers will also provide more options for the delivery of rail infrastructure or rolling stock supporting better value for money.

In addition, independence will give Scottish governments a role when franchises are awarded for cross-border services – currently the Scottish Government has very limited input to these decisions which are made by Westminster alone. This will ensure Scotland's interests are fully represented.

We can use the borrowing potential of an independent country to invest in the condition, reach and connectivity of our roads – achieving the long-term objective of dualling the road network between all our cities by 2030.

And, we can ensure that Scotland's Maritime institutions – such as the coastguard – are structured efficiently and meet the needs of users of Scotland's unique seas and complex coastline.

Our priorities for action

High-speed rail is a key priority. Despite a much stronger business case from a network that includes Scotland and previous calls, not just from the Scottish Government but councils in the North of England and civic and business Scotland too, it is only now that the Westminster Government has agreed to plan for high speed to go beyond Manchester and Leeds. Meanwhile we continue to plan for a high-speed compatible link between Edinburgh and Glasgow that will act as a 'launch pad' for high-speed rail services to the South as well as releasing capacity on existing lines in the Central Belt.

Through substantial investment in the Highland Mainline and the line between Aberdeen and Inverness, along with enhanced inter-city-services delivered through the next franchise, we will ensure that high-speed rail brings benefits to all of Scotland. High-speed rail will also deliver substantially improved connectivity between Scotland and the North of England. Consistent with the Borderlands initiative, an independent Scotland could work together with northern English councils to argue the case more strongly for High-speed to go further North faster. High-speed rail will also attract air travellers from Glasgow and Edinburgh to London, freeing air slots to

maintain air access to Aberdeen and Inverness, which with rail improvements will maintain and enhance the connectivity of these economically vibrant cities.

A reduction in Air Passenger Duty (APD) will allow Scotland's airports to be more competitive in attracting new direct air routes and will improve our international connectivity. More direct routes will also enable Scottish travellers to avoid connections via airports such as Heathrow, reducing average household costs for summer holiday flights from Scottish airports. For these reasons, it is essential that the Scottish Government has the power to make decisions on APD in the interests of Scotland.

Ferries are an essential part of Scotland's transport network. The quality of our ferry services impacts on us all, affecting both island and mainland communities. The Scottish Government is fully committed to delivering first class sustainable ferry services to our communities, stimulating social and economic growth across Scotland. The planned improvements to Scotland's ferry services, as set out in our recently published Ferries Plan¹²⁹ will enable our rural and remote communities to thrive, and continue to make a significant contribution to Scotland's economy. With the fully integrated transport system that independence will deliver, we can ensure the best alignment between ferries and other modes of transport.

One key cost to business and consumers is the cost of fuel. Currently around 58 per cent of the cost of petrol and diesel is made up of taxes: as a percentage of pump price, the UK had the highest tax component of diesel prices and the second-highest of unleaded petrol prices of the 28 EU member states in August 2013¹³⁰. With independence, this Scottish Government will examine the benefits of introducing a Fuel Duty Regulator mechanism to stabilise prices for business and consumers and how this could be made to work alongside our Scottish Energy Fund.

The Scottish Government is currently responsible for our rail and trunk road networks, major public transport projects and for the national concessionary travel schemes.

In addition, current devolved responsibilities include:

- travel information service
- sustainable transport, road safety and accessibility
- local roads policy
- bus, freight and taxi policy
- ferries, ports, harbours and canals
- the Blue Badge Scheme (for disabled drivers)

After independence, these services and responsibilities will continue as now.

Other transport functions are currently reserved to the Westminster Government, and delivered by 13 UK- or GB-wide specialist transport organisations. For a period after independence, the Scottish Government proposes that these organisations continue to provide their services in Scotland under arrangements with the Scottish Government. These arrangements, some of which will be transitional, will form part of agreements reached with Westminster.

The people of Scotland have contributed to the funding and development of these institutions over many years, and continued use of these institutions, for varying periods of time, following independence – with appropriate financial contributions to their administration, along with an equally appropriate say in their governance – is the sensible approach to ensuring continuity of service immediately following independence.

These include the Motoring Services agencies: the Driver and Vehicle Licensing Agency, Driving Standards Agency, Vehicle and Operator Standards Agency, and the Vehicle Certification Agency. These will initially continue to provide vehicle and driver licensing and testing services to the people of Scotland. However, independence will allow a Scottish parliament to determine the best way to deliver these services in the future. The Scottish Government plans to create a new, streamlined

Scottish Motor Services Agency, which will bring together the functions of DVLA, DSA, VOSA, and VCA. By the end of the first term of an independent parliament, we will have completed the design and development work, with a view to the Agency going live early in the second Parliament.

The Maritime and Coastguard Agency and the Northern Lighthouse Board will continue to provide their services for the safety of mariners.

NATS is the air navigation service provider for the UK. It is a public-private partnership, and is 49 per cent owned by the Westminster Government, 42 per cent by the Airline Group (a consortium of seven airlines), five per cent by its employees and four per cent by Heathrow Airport Holdings¹³¹. NATS owns and operates a large facility at Prestwick. On independence, NATS will continue its services for Scotland. The Scottish Government will negotiate an appropriate share for Scotland of the Westminster Government's stake in NATS.

The present regulatory authorities for transport are the Office of Rail Regulation (ORR) and the Civil Aviation Authority (CAA). On independence, these bodies will continue to operate in Scotland while the options for regulation are examined further, although the combined economic regulator will cover aspects of ORR's functions¹³². The same approach will be adopted in relation to the rail passenger group, Passenger Focus. This will ensure there is no disruption to the operations and safety of either rail or air services. Similarly the accident investigation branches, covering rail, aviation and maritime, will continue their operations on independence.

This approach means that drivers, hauliers, airlines and their passengers, rail operators and their passengers, and mariners experience a smooth transition as powers begin to be executed by an independent Scotland or jointly with the rest of the UK, through existing institutions.

As a full member state of the EU, we will be increasingly active in international co-operation in transport policy and regulation, as well as in international transport bodies such as the International Civil Aviation Organisation and the International Maritime Organisation.



CHAPTER

4

HEALTH,
WELLBEING
AND SOCIAL
PROTECTION

- Independence will provide the opportunity to create a fairer, more equal society, built around the needs of citizens
- Spending on social protection which includes pensions and welfare is more affordable in Scotland. We spend a smaller proportion of our national wealth and tax revenues on the provision of social protection than the UK as a whole
- There will be continuity of payments for pension and benefit recipients
- This Government proposes a series of improvements to the State Pension and to the benefits system that will:
 - extend the triple-lock on state pensions so they increase by either inflation, earnings or 2.5 per cent, whichever is higher
 - introduce the new single-tier pension and set it at £160 in 2016
 - abolish the “bedroom tax”, assisting 82,500 households in Scotland – including 63,500 households with a disabled adult and 15,500 households with children – to save an average of £50 per month
 - halt the further rollout of Universal Credit (UC) and Personal Independence Payment (PIP) in Scotland
 - change elements of UK pension and welfare rules to better protect the position of women in work and on retirement
- The NHS will remain in public hands, free at the point of need, delivering high-quality, safe care for the people of Scotland

Why we need a new approach

Scotland is a prosperous country, but too many people and communities are trapped in poverty and prevented from realising their full potential.

In 2011/12, 710,000 people (14 per cent of the population) were living in relative poverty in Scotland¹³³. This total is made up of 420,000 people of working age, 150,000 children, and 140,000 pensioners¹³⁴. This Government believes it is unacceptable, in a nation with the wealth and resources of Scotland, that one in seven of us still lives in poverty.

The current Westminster approach is making the situation worse. The Institute of Fiscal Studies has estimated that the child poverty rate in Scotland will increase to 22.7 per cent by 2020¹³⁵. This means that an additional 50,000 children will be living in poverty as a direct result of Westminster welfare changes. This will reverse improvements made over the last decade and return the child poverty rate to the level it was 10 years ago.

The UK is already one of the developed world's most unequal societies. The UK is now one of ten least equal countries in the OECD – it ranks 28th out of 34 on a measure of overall inequality. OECD analysis shows that, since 1975, income inequality among working age people has increased faster than any other country in the organisation.

Academic analysis comparing the earnings of the worst off and best off has found that the UK was the fourth most unequal nation amongst the world's richest countries¹³⁶.

These inequalities are also seen strongly in health outcomes. Life expectancy in Scotland is lower than in the rest of the UK. In 2010, life expectancy at age 65 was 1.2 years higher in the UK than in Scotland for both men and women¹³⁷. Men born in the most deprived areas of Scotland can expect to live 10.9 years less than those in the more affluent areas – and their healthy life expectancy is only 50¹³⁸. These statistics are a human tragedy, and they also hold us back both economically and as a society. Life expectancy in Scotland is now lower than in all other Western European countries¹³⁹. Compared to similar countries, Scotland has a greater incidence of cancer and of

premature deaths from all causes including heart disease, chronic liver disease and cirrhosis¹⁴⁰.

With devolution, the Scottish Parliament has been able to deliver some improvement. For some indicators, such as deaths from coronary heart disease, health inequalities have decreased, but for others, such as healthy life expectancy, mental health, smoking and alcohol and drug misuse, they remain significantly worse in the most deprived parts of Scotland¹⁴¹.

Responsibility for delivering health services to our population is not enough. To tackle these major challenges, we also need responsibility for our society's wellbeing and welfare. The solution to ill-health is not in the hands of the NHS alone – it depends on breaking the cycle of poverty, educational under-attainment, worklessness, poor mental wellbeing, and, through these, preventable ill-health¹⁴².

Westminster's changes to our welfare system make the need for a new approach more urgent. Their plans could potentially remove over £4.5 billion from Scottish households¹⁴³. The one per cent cap on welfare benefit increases will impose real terms cuts on one million low income working age households amounting to £210 million in the five years to 2014/15¹⁴⁴. Real terms cuts to child benefit will remove £1,100 from families with two children¹⁴⁵. The "bedroom tax" will result in Westminster saving £50 million per year in Scotland but it will cost the Scottish economy around £50 million per year. There will also be one-off losses of around £29 million in Scotland¹⁴⁶. Seventy-nine per cent of households affected by the "bedroom tax" in Scotland contain a disabled adult and the policy will impact on 15,500 families with children¹⁴⁷. In Scotland's rural areas, the "bedroom tax", when combined with other factors such as expensive travel costs and the low-wage job market, will have a particularly severe impact.

The Scottish Government has been able to mitigate the impact of some of these changes, with agreement reached with Scotland's councils to protect 560,000 people from cuts in Council Tax Benefit and up to £20 million has been committed in both 2013/14 and 2014/15 to support those most severely

affected by the “bedroom tax”¹⁴⁸. Frontline advice and support services have a critical role in helping people to understand and respond to the Westminster’s changes, which is why an additional £7.9 million for advice and support services is being provided over three years from 2012/13¹⁴⁹.

A new £33 million Scottish Welfare Fund is also in place¹⁵⁰. This is a national scheme delivered through local authorities. It helps people facing a financial crisis and in need of short-term help and those who require essential household items to set up, or stay in, their own homes.

However, mitigation is not enough. Independence will allow the Scottish Parliament to: make decisions on welfare; reverse the most damaging of the Westminster changes; and ensure that we have a social security system for the future that meets our needs and objectives.

As well as implementing damaging welfare cuts, Westminster has also contributed, over many years, to what many people acknowledge to be a crisis in pensions provision. The State Pension lost value following the decision in 1979 to abolish the link between the state pension and earnings. It has never recovered its previous level relative to earnings¹⁵¹. In 2011, the UK State Pension ranked second worst of 27 EU member states relative to gross average pre-retirement earnings¹⁵². The UK pension system is also one of the most complex in the world¹⁵³.

The 1983 Conservative Government removed tax exemptions from payments by employers to their pension schemes in apparent surplus. Many employers then took “pension holidays” on contributions to their pension schemes¹⁵⁴. In 1997, the then Labour Government removed Advanced Corporation Tax Relief from dividends for pension schemes, reducing pension scheme income from dividend payments by 20 per cent, causing estimated losses of up to £100 billion for pension funds across the UK¹⁵⁵.

Collectively, these and other decisions have helped create a UK pensions landscape where:

- 13.2 million people of working age in the UK are under-saving for retirement¹⁵⁶
- private pension scheme membership has fallen: in 2011, membership of occupational pension schemes in the UK reached its lowest level since 1953¹⁵⁷
- the number of people contributing to a personal pension has fallen over the last decade¹⁵⁸
- access to quality pension schemes has reduced: in 1993, all the FTSE 100 leading companies in the UK had a defined benefits final salary scheme open to new members; in October 2012, there was only one¹⁵⁹

The Scottish Parliament has a record of using the powers available to it to benefit older people in Scotland. With responsibility for pensions, it can also ensure that Scottish pensioners receive a state pension that reflects Scottish needs and circumstances.

Pensions

The opportunities available to Scotland

The goal of an effective pensions system is to provide the financial underpinning to support people to enjoy a full and active retirement. However, the Westminster Government has mismanaged the pensions system over many years, to the extent that an estimated 13.2 million people in the UK are now under-saving for retirement¹⁶⁰, while 140,000 Scottish pensioners are living in relative poverty¹⁶¹.

Independence offers a unique opportunity to do better, establishing pensions on a responsible and sustainable basis for the future.

The Scotland we can create

An independent Scotland will have the powers to deliver an affordable, fair and efficient pensions system, one that rewards hard work and incentivises saving, while also tackling pensioner poverty¹⁶². An independent Scotland will have the

ability to protect and improve state pensions and ensure that private pensions are secure and saving for retirement is actively encouraged. An independent Scotland will be able to set the State Pension Age at a level appropriate to Scottish circumstances.

Scotland has strong foundations on which to build such a pensions system. The amount spent in Scotland on social protection, which includes pensions and other welfare spending, is lower as a share of GDP than in the UK. In 2011/12, a lower proportion of Scottish tax revenues was spent on social protection than in the UK as a whole¹⁶³. Scotland can afford a high-quality pensions service.

The choices open to us

Scotland has the people and infrastructure needed to manage and to pay pensions. The Pension Centres, located in Motherwell and Dundee and currently part of the Department for Work and Pensions, currently administer State Pension and Pension Credit claims for everyone living in Scotland. This Government proposes they will continue to do so on independence.

The Scottish Public Pensions Agency and local authority teams already manage Scottish public sector pensions. This Government proposes that an independent Scotland will take on responsibility for the pensions of staff within the civil service, armed forces and others who work in Scotland's public service, as well as existing pensioners and deferred members. For current UK-wide public service pension schemes, the Scottish Government proposes taking our fair share of pension liabilities based on responsibilities for meeting the pension entitlements of pensioners who live in Scotland. In short, Scotland can deliver high-quality state and public sector pensions, and future Scottish governments will be able to ensure that we have efficient systems in place to deliver pensions to those who rely on them.

Scotland also has the track record – via successive Scottish governments – of delivering real benefits to older people, as exemplified by free personal and nursing care and concessionary travel. The current Scottish Government has retained these in the face of current spending pressures, and

plans to continue them with independence. These initiatives, taken forward using the powers of devolution, give a clear signal of our priorities and our commitment to our older citizens. With independence, future Scottish governments will have the choice to extend this approach to securing dignity in old age into all aspects of the services and benefits we provide.

The longer-term demographic challenge of an ageing population affects every western country, including Scotland and the UK as a whole. The particular challenge Scotland faces is projected lower growth in our working age population. The Government Economic Strategy sets out a target:

to match average European (EU-15) population growth over the period from 2007 to 2017, supported by increased healthy life expectancy in Scotland over this period

The longer-term target must be to grow our working age population in line with the projected increase in those dependent on it – pensioners and young people under 16. What is clear is that this challenge is best addressed in an independent Scotland. An independent Scotland can address population growth by creating new opportunities for young people to build their careers and families within Scotland, and through action to attract the right people with the right skills to Scotland – either Scots who have moved away or new migrants.

Our Priorities for Action

The State Pension

The general principle of this Scottish Government, in planning for pensions in an independent Scotland, is to keep the best of the current State Pensions system, while making improvements where it is sensible to do so. On independence, our approach means:

- current pensioners will receive their pensions as now, on time and in full. Accrued rights will be honoured and protected

- planned reforms will be rolled out from 2016, including the introduction of the single-tier pension

Our priorities, if we form the government of an independent Scotland, will be to:

- establish an independent commission to advise on the state pension age for Scotland, taking into account Scottish circumstances
- ensure that around one million pensioners in Scotland benefit each year from the uprating of the State Pension by the triple-lock, initially for the first term of an independent parliament. This would protect the value of the State Pension over time against increases in prices or earnings, providing a minimum annual increase of 2.5 per cent. The triple-lock would apply to the Basic State Pension, the single-tier pension, and Guarantee Credit¹⁶⁴
- set the single-tier pension at the rate of £160 per week in 2016 – £1.10 a week higher than the rate currently expected for the UK
- retain Savings Credit (the full Savings Credit payment is currently £18 per week for a single person)¹⁶⁵, benefiting around 9,000 low income pensioners

State Pension Age

The State Pension Age (SPA) for women across the UK is in the process of increasing from 60 to 65 between 2010 and 2018. An increase to 66 for both men and women is to be fully implemented by October 2020. A further phased increase in the State Pension Age to 67 is planned between 2026 and 2028.

The Scottish Government accepts that State Pension Age should rise to 66 in line with the existing timetable. The rapid move to 67 is a concern, however, as it is a significantly faster timetable than that announced by the previous Westminster government. Lower average life expectancy in Scotland compared to the UK means that Scots currently enjoy fewer years in receipt of the State Pensions.



In an independent Scotland, this Scottish Government will reserve judgement on the increase to 67 between 2026 and 2028. We propose that an Independent Commission on the State Pension Age is established and tasked with considering the appropriate rate of increase of the State Pension Age for Scotland over the long term. This Government plans that the Commission will report to parliament within the first two years of independence with a view to its recommendations being implemented promptly thereafter.

Current pension arrangements

On independence, everyone currently in receipt of the Basic State Pension, Graduated Retirement Benefit, State Earnings Related Pension Scheme or the State Second Pension will receive these pensions as now, on time and in full. This Scottish Government plans to uprate the Basic State Pension by the triple-lock from 2016. This provides protection for the value of pensions over time, meaning that pensions increase by average earnings, CPI inflation, or 2.5 per cent – whichever of these is highest.

This Government's commitment will be in place initially for the first term of an independent Scottish parliament. The Westminster Government has only made a commitment to the triple-lock until 2015.

This Government also proposes that the Guarantee Credit element of Pension Credit, which tops up pensioners' weekly income to a minimum level set by government, is uprated using the triple-lock from 2016. This provides an improved safeguard for low-income pensioners in Scotland compared to their counterparts in the rest of the UK where the only requirement is for Guarantee Credit to be uprated in line with earnings. This Government proposes that the Savings Credit element of Pension Credit is retained as additional support for those with low incomes and increased in line with earnings. This element provides a credit for those aged 65 or over who have made some financial provision for their retirement but are on a low income.

The new Single-Tier Pension

From 6 April 2016, new pensioners will receive a Scottish single-tier pension, similar to that proposed by the Westminster Government, but with important improvements. The main features of the pension are:

- the single-tier pension will be paid in full to everyone who reaches State Pension Age after the introduction date and has 35 qualifying years of National Insurance (NI) Contributions or NI credits
- there will be a qualifying requirement of 7 to 10 years of contributions
- all Additional State Pension rights accrued prior to April 2016 will be retained and paid to individuals on retirement
- as a result of the abolition of the state second pension, contracting out of NI contributions for those currently in defined benefit pension schemes will cease

In addition we propose to make a number of improvements to current Westminster Government plans:

- within the first year of independence, the single-tier pension will be set at a level of £160 per week (£8,320 per annum); in the unlikely event that the rest of the UK rate for the single-tier pension is set at a higher level, the Scottish single-tier pension will match the higher figure

- the rate of the single-tier pension will be increased on an annual basis in line with the triple-lock. The triple-lock provides protection for the value of pensions and is based on whichever is highest: average earnings, CPI inflation, or 2.5 per cent. This commitment will initially be in place for the period of the first Parliament of an independent Scotland. The Westminster Government, by contrast, has only committed to uprate the single-tier pension by earnings
- Provision will be maintained for those expecting to receive a State Pension based on their spouse's contributions for 15 years after the introduction of the single-tier pension, unlike in the rest of the UK
- Savings Credit will be retained for new pensioners who are on low incomes and increased in line with earnings. This will ensure that those pensioners approaching retirement who would have received Savings Credit are not disadvantaged by the move to the single-tier pension. The Westminster Government is to abolish Savings Credit for those reaching State Pension Age after April 2016

State Pension entitlement in an independent Scotland

The key points of the Scottish Government's proposals for State Pension entitlement are:

- for those people living in Scotland in receipt of the UK State Pension at the time of independence, the responsibility for the payment of that pension will transfer to the Scottish Government
- for those people of working age who are living and working in Scotland at the time of independence, the UK pension entitlement they have accrued prior to independence will form part of their Scottish State Pension entitlement. Any pension entitlement accrued in Scotland after independence would also form part of that Scottish State Pension. On reaching the State Pension Age, their Scottish State Pension would be paid by the Scottish Government
- for future pensioners who have accrued rights to the Scottish State Pension but who retire outside Scotland,

the Scottish State Pension will be paid either via a Scottish equivalent of the International Pensions Centre (IPC) or by the pensions institution in the country of residence, depending on their circumstances. The Scottish IPC will be established following a transitional period of shared service provision

- for people who build up entitlement to a range of State Pensions – in Scotland, in the rest of the UK, in Europe, or elsewhere – the current situation will continue. The only difference will be that, from independence, pension entitlement accrued from working in Scotland will be to the Scottish State Pension, rather than to the UK State Pension

Boosting the working age population

A key factor in the planning of future state pensions is the projected structure of the population. ‘Dependency ratios’ are used to help consider this, comparing the numbers of people of working age against the number of ‘dependents’ (people of pensionable age and/or children). Scotland’s total dependency ratio¹⁶⁶, that is the number of children and pensioners for every 1,000 persons of working age, is projected to remain below that of the UK for the next 15 years¹⁶⁷. This dependency ratio is a useful indicator of wider fiscal sustainability, as it includes all dependents. Beyond the late 2020s, current projections¹⁶⁸ suggest that, without action to increase the working age population, the total dependency ratio in Scotland and the rest of the UK will converge and from 2033 onwards will be marginally higher in Scotland than in the UK as a whole.

Taking a narrower view, the ‘pensioner dependency ratio’ compares the population of people of working age in Scotland with the population of state pension age. This ratio is projected to be higher than the UK as a whole over the next 20 years.

Whichever dependency ratio is used, the key issue in terms of broader Scottish population pressures, relative to the UK, is the lower projected growth in the working age population in Scotland (four per cent compared with 12 per cent), not higher growth in the pensioner population. In fact, pensioner numbers are projected to grow at a faster rate in the UK than in Scotland

in the longer term. Between 2012 and 2037 the number of people of state pension age in Scotland is projected to increase by 27 per cent, lower than the projected increase in the UK of 31 per cent¹⁶⁹. The difference between the two rates is projected to widen still further beyond this point, although projections this far ahead are subject to considerable uncertainty. The longer-term target must be to grow our working-age population in line with the projected increase in those dependent on it – pensioners and young people under 16.

Addressing the issue of the working-age population in the long term requires sustainable economic growth. Independence will allow Scotland to develop our own economic policy, which means we can improve productivity and participation in the Scottish economy through targeting growth sectors and coherent welfare and skills policies. Independence will also allow Scotland to address population growth by: creating new opportunities for young people to build their careers and families within Scotland; action to attract people back to Scotland; and steps to encourage skilled migrants to move to Scotland. These matters are currently reserved to Westminster, which has different priorities for the UK economy and migration. Without independence, Scotland will not have the mechanisms to address our projected demographic issues.

Occupational and personal pensions

Occupational and personal pension rights and accrued benefits will not be affected by Scotland becoming independent. An individual's occupational or personal pension will already set out the retirement benefits which will be granted under the particular scheme and under which conditions.

Currently only around half of Scottish employees contribute to a private pension (that is, to a personal or an occupational pension in the public or private sector)¹⁷⁰. Helping people save for a better retirement will be one of the key focuses for this Government in an independent Scotland. This Government's proposals are to:

- continue with the roll-out of automatic enrolment, introduced last year, to help address the historic decline in private pension saving

- continue to support tax-free savings, through products like savings and investment ISAs
- establish as soon as possible following independence a Scottish equivalent of the National Employment Savings Trust (NEST). The Scottish Employment Savings Trust (SEST) will provide a workplace pension scheme focused on people with low to moderate earnings, which will accept any employer wishing to use it
- launch a Financial Capability Strategy to build skills, knowledge and understanding about personal finance. This could include, for example, improving access to financial advice about purchasing an annuity on retirement. Recent comparisons of example annuity rates have suggested that, without good advice, the value of the annuity provided can be highly variable

Future Scottish governments could also explore ways to improve incentives to save, including through the tax system, and work with the pensions industry, employers and other stakeholders on the development of innovative pension and savings products.

Pensions regulation

The Scottish Government proposes that the structure and activities of the regulatory framework in an independent Scotland should be closely aligned with that in the rest of the UK.

We propose to establish a Scottish Pensions Regulator, which would work closely with the UK Pensions Regulator and the Financial Conduct Authority (FCA) to maintain a pan-UK approach to the regulation of private pensions. We will consider whether to include responsibilities for the regulation of pensions as part of a wider financial services regulatory body.

We consider that the current arrangements for the protection of individuals' pensions by the Pension Protection Fund (including its responsibility for the Financial Assistance Scheme and the Fraud Compensation Fund) should continue, with Scotland playing our full part. However, it will also be possible for the Scottish Government to establish a Scottish equivalent to the

Pension Protection Fund. Individuals will have the same level of protection as they do now.

This Scottish Government will ensure that arrangements for an effective compensation scheme are established, mirroring the level of protection provided in the UK Financial Services Compensation Scheme.

Cross-border pension schemes

The EU's Institutions for Occupational Retirement Provision (IORP) Directive places specific requirements on pension schemes operating across the borders of two or more EU member states.

Pension schemes that wish to accept contributions from an employer located in another EU member state must be fully funded at all times; schemes must have prior authorisation and approval from the relevant competent authority; and must comply with the social and labour laws of the host member state. These requirements would apply to those schemes that currently operate in Scotland and the rest of the UK if they continued to operate, on independence, on a cross-border basis.

The Scottish Government considers that discussions should start immediately to agree appropriate transitional arrangements to address the impact on funding arrangements for schemes that would become cross-border on independence. The case for such transitional arrangements is strong:

- regulatory requirements for schemes operating within an integrated financial services market, as proposed for an independent Scotland, are quite different from the general case on which the IORP Directive was based
- transitional arrangements would be strongly in the interests of the Scottish and Westminster Governments, the European Commission, employers and their employees. Indeed, the European Commission's aim in bringing forward the Directive was precisely to promote greater cross-border occupational pension provision

- member states already interpret the cross-border requirements flexibly in order to protect pension schemes. Member states have interpreted the requirement for cross-border schemes to be ‘fully funded at all times’ differently. For example, the period allowed for cross-border schemes in Ireland to regain full funding is decided by the Irish Pensions Board on a case-by-case basis

We will agree arrangements which will provide sufficient flexibility for employers, whilst ensuring that members and beneficiaries are protected in the way intended by the Directive.

Transitional arrangements of this kind have been implemented previously. On the introduction of the Directive, the Westminster Government’s implementing legislation provided for a three year grace period for existing UK/Ireland cross-border schemes to reach full funding levels. We consider that transitional arrangements for independence should allow a scheme with an existing recovery plan to be allowed to implement that plan in accordance with the period originally set for it.

This is an issue for Westminster as much as it is for the Scottish Government. And there is no reason that this issue should not be capable of sensible and practical resolution.

Public Service Pensions

The Scottish Government is fully committed to providing a fair, affordable and sustainable pension and reward package to public sector employees.

In an independent Scotland, all public service pension rights and entitlements which have been accrued for fully or executively devolved or reserved schemes will be fully protected and accessible. There will be no difference to how much people pay for their pensions or the level of benefits they receive as a result of the move to independence.

Scotland already has the people and the infrastructure in place to deliver high-quality public service pensions. The Scottish Public Pensions Agency has unrivalled first-hand knowledge and experience of both designing and delivering occupational pensions policy for the public sector. We propose that the

Scottish Public Pensions Agency will, therefore, form the basis for delivering the additional responsibilities for public sector pensions that will be required in an independent Scotland.

In the past, public sector pensions policy has been imposed on Scotland with insufficient engagement and consultation. In an independent Scotland, this Government plans that the approach to negotiations about any future changes to public sector pensions will be positive and inclusive, rather than confrontational.

In the first term of an independent parliament, this Government will establish an independent commission to review and make recommendations on policy for an appropriate State Pension Age for Scotland. Within the first parliamentary term, this Government will also consider the Commission's findings when reviewing the impact State Pension Age policy has on the working and retirement patterns of Scotland's public servants. This Government is also committed to reviewing the pension terms of all "uniformed" services, including whether or not they should all have access to their occupational pension at a consistent age or whether this should better reflect the role they carry out and the physical impact of their service.

Scotland's social protection system

The opportunities available to Scotland

Scotland has the wealth it needs to be a fairer nation. The experience of other comparable countries across the world shows that this is more than achievable. While the UK is joint 26th on the UN Human Development Index, small countries make up a majority of the top 20 positions in the Index¹⁷¹. There is no reason why Scotland cannot match such successful small countries. Each country is different, but there are key lessons we can learn, such as the importance of social capital, trust, and a sense of national purpose¹⁷².

In taking on independent responsibility for our social protection system, we will be building on strong financial foundations, with spending on social protection currently more affordable in Scotland than in the UK as a whole:

- in 2011/12, the most recent year for which statistics are available, 38 per cent of Scottish tax revenues were spent on social protection¹⁷³, compared with 42 per cent for the UK as a whole¹⁷⁴
- expenditure on social protection as a share of economic output (GDP) has also been lower in Scotland than in the UK in each of the past five years¹⁷⁵
- on an internationally comparable basis, spending on social protection in Scotland, as a share of economic output, is estimated to be lower than in the majority of EU-15 members¹⁷⁶

With independence, therefore, we can afford to choose a different path for Scotland, with an approach to social justice that is based on our view of what a healthy and flourishing society should be. This is an opportunity for us to create a new Scotland.

Social justice is about wellbeing and opportunity for all and, with independence, the Scottish Parliament and Government can improve the quality of life for most people in Scotland, as well as securing the wellbeing of the most vulnerable. We can do more to promote the cohesiveness of society, to enable equality of opportunity and respect and build the intrinsic dignity of individuals and communities.

This highlights a key difference in the approach between governments in Scotland and at Westminster. Scottish administrations have sought to tackle social inclusion and cohesion, and to address equality issues. By contrast, the Westminster Government has conceded that 200,000 more children across the UK will be pushed into relative poverty by 2016 as a result of a 1 per cent cap on increases to benefit payments¹⁷⁷. This equates to around 15,000 children in Scotland¹⁷⁸. Scottish Government analysis¹⁷⁹ shows that many women in Scotland will be worse off due to Westminster's changes to the benefits system. Mothers in particular are more likely to lose out financially as they are often the main carers of children and because certain benefits are typically paid to women.

Social justice and equality are objectives that should be pursued for their own sake in a civilised country. They are also important aspects of improved economic performance¹⁸⁰, which in turn provides for a happier, safer, healthier and fairer society. As the Fiscal Commission reported:

Scotland is also currently part of a UK economic model and society which is one of the most unequal in the OECD. Inequality within the UK has increased in recent decades. Such patterns of inequality will continue to have a negative impact on growth and prosperity over the long-term¹⁸¹.

We see the evidence in other nations, such as Norway and Sweden. They have demonstrated that fairness and prosperity are part of a virtuous circle, reinforcing each other and delivering a range of benefits for society as a whole.

Making the right choices on social justice will deliver greater equality, will deliver benefits across our society, and will be an important part of building the more prosperous and successful nation we all want Scotland to be.

The Scotland we can create

The record of successive Scottish administrations shows “the commitment to social justice which lies at the heart of political and civic life in Scotland”¹⁸². However, an independent Scotland will have all the necessary means to deliver a coherent approach to social justice and to tackle inequality by, for example:

- building a welfare system, based on clear principles and values that: supports people who work; provides support for people who cannot work; and fosters a climate of social solidarity
- integrating tax and benefit policy, embodying key principles of fairness and dignity
- taking a distinctive approach to providing public services, built on the principle of improving the lives of people and communities

- building on our pioneering approach of preventing problems arising, rather than relying on crisis interventions. In an independent Scotland, this can be extended and integrated with currently reserved services, such as welfare and employment

There will be immediate gains from independence, such as the abolition of the “bedroom tax”, alongside benefits that can develop over time. We propose early co-ordinated action to grow the economy and employment, and increase wages, for example through the promotion of a Scottish living wage and a commitment to increase the minimum wage in line with inflation. This will improve the lives of people in Scotland. Investment in childcare and social housing can also have longer-term, positive impacts for individuals and communities, reducing the need for expensive interventions through the justice and health systems later in life. This approach can create savings for the long-term that can be reinvested for the benefit of people in Scotland in the future, and provide sustained benefits to individuals and communities.

We can also choose to protect key elements of our commitments to social justice in a written constitution. This approach is adopted in many other European nations. These rights could include a Youth Guarantee to employment, education or training, and rights to welfare support and health care. This would provide explicit guidance to future governments, of whatever political persuasion, about the needs and aspirations the people of Scotland expect to see prioritised. Social rights embedded in a constitution will put questions of social justice at the forefront of the work of Scotland’s Parliament, government and public institutions.

The choices open to us

The right welfare system, working with tax and economic policy, is a powerful mechanism to address poverty and inequality.

In 2016/17, benefit expenditure (including benefits for pensioners) in Scotland is expected to be almost £19 billion per year¹⁸³. The Scottish Government and Scottish local authorities also provide other wider welfare services, for example through social work and social care services, at an additional cost of approximately £5 billion per year¹⁸⁴.

**BENEFITS
FOR OUT OF
WORK PEOPLE**



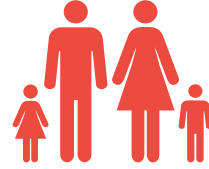
INCOME SUPPORT,
IN WORK CREDIT &
RETURN
TO WORK CREDIT,
JOB GRANT &
JOBSEEKER'S
ALLOWANCE

**BENEFITS
FOR OLDER
PEOPLE**



STATE PENSION,
**PENSION
CREDIT,**
TV LICENCES &
WINTER FUEL PAYMENTS

**BENEFITS
FOR FAMILIES
WITH CHILDREN**



**CHILD
BENEFIT,**
CHILD TAX CREDIT,
MATERNITY ALLOWANCE &
**STATUTORY
MATERNITY PAY**

**BENEFITS
FOR PEOPLE
WHO ARE ILL OR
DISABLED**



ATTENDANCE ALLOWANCE,
**CARER'S
ALLOWANCE,**
EMPLOYMENT & SUPPORT
ALLOWANCE,
INDUSTRIAL INJURIES,
SEVERE DISABLEMENT
**ALLOWANCE &
STATUTORY
SICK PAY**

**BENEFITS
FOR PEOPLE ON
LOW
INCOMES**



WORKING TAX CREDIT,
**HOUSING
BENEFIT,**
COUNCIL TAX BENEFIT/
COUNCIL TAX REDUCTION,
DISCRETIONARY
**HOUSING
PAYMENTS,**
**SCOTTISH
WELFARE FUND,**
SOCIAL FUND (REGULATED)

With independence, we can decide how best to allocate these resources to deliver a welfare system that meets our needs.

UK welfare changes

With independence, it will be for the Scottish Parliament and future Scottish governments to determine the future direction of the welfare system in Scotland.

Under the current system, the Westminster Government is taking forward a series of changes to the welfare system, at the heart of which is the introduction of Universal Credit (UC), a new single payment for working-age adults who are looking for work or who are in work but on a low income. UC is due to be fully implemented by 2017, but is currently beset by problems and delays.

Other major changes include:

- the change from Disability Living Allowance to Personal Independence Payment (PIP) for people aged 16 to 64. Some people currently receiving Disability Living Allowance will not be awarded PIP because it uses different criteria for the award
- the “bedroom tax” which reduces housing benefit by 14 per cent if the tenant is deemed to be under-occupying by one bedroom, or 25 per cent if under-occupation is by two or more bedrooms
- an overall benefit cap, limiting the total amount of benefit a household can receive at the national average income (approximately £26,000 per year)

The Westminster Government’s equality impact assessments show that the majority of the changes have negative impacts on particular groups of people¹⁸⁵, while the Scottish Government’s recent analysis concludes that women will also lose out because of how the UC system in particular is structured¹⁸⁶.

We do not accept Westminster’s approach to welfare. We believe that it is possible to design an efficient and fair welfare system that meets the needs of those who depend on it, and treats them with dignity and respect while supporting those who can into work.

However, it is only with the powers of independence that we will be able to build such a system.

Principles for a welfare system in an independent Scotland

There are some key principles for a welfare system which the Scottish Government has identified to inform our approach. The Expert Working Group on Welfare¹⁸⁷ is looking at these and other principles as part of its call for evidence. Among the principles that would underpin this Government's approach to welfare in an independent Scotland are:

- Scotland's benefits and tax credits system and employment support services should protect our people from poverty and help them fulfil their potential, in work and in life
- over the course of our lives, we should contribute to the welfare system when we can. In return, we should be able to access that system when we need to
- the benefits system should be fair, transparent and sympathetic to the challenges faced by people receiving them, respecting personal dignity, equality and human rights
- the benefits, tax credits and employment support systems should work in harmony to ensure that people who lose their job do not face extreme financial uncertainty
- for those who cannot undertake paid work, benefits should not relegate them to a life of financial uncertainty and poverty. Benefits must support a standard of living that ensures dignity and enables participation in society
- the administration of benefits and tax credits should be swift, streamlined and responsive to individual circumstances

The Expert Working Group is exploring how the benefits system should enable people who can work to move into employment, and how it can support people who can't work to participate in society as fully as possible. The recommendations of the Expert Working Group will be available well in advance of the referendum in order to further inform the debate.

The tax system and welfare

Tax and welfare are two of the most powerful means that governments have to address poverty and income inequality. Recently published evidence¹⁸⁸ shows the overall regressive nature of Westminster's changes to taxation and benefits in recent years. Levels of income inequality have been made worse by decisions of Westminster¹⁸⁹. It would be open to an independent Scotland to choose to alter this balance.

In its *Principles for a Modern and Efficient Tax System in an Independent Scotland*¹⁹⁰, the Fiscal Commission recognised that, along with welfare policy, taxation is the main means to consider the distribution of income and wealth across society. Taxation is also important in supporting efforts to reduce inequality and boost economic opportunities. The commission also recognised the opportunity for Scotland from an integrated policy framework for tax and welfare:

The tax and welfare systems are key levers in tackling inequality – both are strongly interlinked and should be considered as fundamentally part of the same system. Welfare and tax policy should therefore be developed in tandem to ensure policy integration and alignment¹⁹¹.

This Scottish Government has already demonstrated our commitment to enhancing the progressive nature of the taxation system in our approach to implementing the limited taxation powers devolved by the Scotland Act 2012¹⁹².

We have also demonstrated a commitment to fairness and tackling inequality by ensuring public sector workers in government and its agencies are paid the Scottish living wage of £7.45 per hour, rising to £7.65 from April 2014 (minimum wage is £6.31 per hour for those aged 21 and over). We have encouraged other public, private and Third Sector bodies to follow suit. The living wage can help provide certainty for households who are already dealing with pressures on family budgets caused by rising food and fuel prices and, with independence, it will be open to future governments to extend the reach and scope of the living wage. This Government has also indicated that, following independence, the minimum wage should be increased by at least the rate of inflation (see Chapter 3).

Our priorities for action

The UK welfare system is now too complicated, and is in need of fundamental reform. We disagree with the approach being taken by Westminster to achieving these aims. The welfare system of an independent Scotland will reflect the principles we believe that are at the heart of Scotland's approach to social justice, including fairness, respect and dignity.

Immediate priorities for action

The Scottish Government considers that the immediate priorities following independence must be to reverse the most damaging and counterproductive of the UK welfare changes. Action in these areas will enable us to relieve the hardship being caused to some of the most vulnerable people in Scotland. It will also free up money in the Scottish budget that is currently directed towards mitigating the worst effects of Westminster's changes.

- **abolish the “bedroom tax” within the first year of the first independent Scottish parliament.** This will save 82,500 households in Scotland – including 63,500 households with a disabled adult and 15,500 households with children – an average of £50 per month¹⁹³. The cost of abolishing the “bedroom tax” at around £50 million per annum is estimated to be less than the overall harm it does directly to the Scottish economy (£50 million per annum plus one-off losses of £29 million). As such, there is a clear case in monetary terms for its abolition even before the wider social costs are taken into account
- **halt the further rollout of Universal Credit and Personal Independence Payment in Scotland** allowing the first government of an independent Scotland to take forward reforms to the welfare system that meet Scotland's needs and reflect our priorities. This Government plans to ensure that those already in receipt of Universal Credit by May 2016 are no worse off than anyone else in the following ways. We will:
 - remove housing benefit from the single payment, restore it as a separate benefit and maintain direct payments to

social landlords. This Government plans to also maintain housing benefit as a separate payment in any longer term reform. This will provide protection for some of our most vulnerable citizens

- restore the ability of claimants to receive individual support rather than single household payments. We will maintain such an approach in taking forward any longer term reforms. It is estimated that this will benefit 880,000 individuals, many of them women¹⁹⁴
- equalise the earnings disregard between first and second earners and continue such an approach into any longer term reforms. It is estimated that this would benefit as many as 70,000 people by as much as £1,200 a year and will be of particular benefit to women who are most often the second earner in a household¹⁹⁵
- **ensure that benefits and tax credits increase in line with inflation** to avoid the poorest families falling further into poverty

These priorities enjoyed widespread support amongst those who gave evidence to the Expert Working Group on Welfare, as well as reflecting the views of stakeholders more widely¹⁹⁶.

Alongside our priorities for immediate improvements we also plan to maintain access to passported benefits, such as free school meals. This will support 130,000 children in Scotland¹⁹⁷.

A further early priority for this Government will be to launch an urgent review of the conditionality and sanctions regime, to establish an approach that is proportionate and ethical, and that avoids excessive or blanket measures which penalise those looking for work. We will also conduct an urgent review of the system of assessments for disability benefits.

We will follow the recommendation of the Fiscal Commission and develop the tax and welfare systems in tandem to ensure policy integration and alignment¹⁹⁸.

Future welfare in an independent Scotland

With independence, there will be the opportunity for longer term welfare reform in Scotland, built on the principles set out above. The recommendations of the Expert Working Group – which is due to report in spring 2014 – will help to inform the approach of this Government to longer-term reforms.

Our overarching aim will be that benefits work hand-in-hand with programmes designed to help people find work. We want to help people move into sustained employment and, with independence, we will have the opportunity to develop our public services in a way that aligns welfare with other public services such as health, housing and social care. In this way, people can look forward to a more personalised package of support than at present. And when people's circumstances change through ill health, unemployment or retirement, they will know what levels of support they are entitled to and can plan for the longer term with certainty.

In considering our approach to welfare in the longer term, a priority will be to live within our financial resources, just as we have done throughout our period in office since 2007. However, we will not allow changes to the welfare system to be driven by short-term cuts to budgets, but by what is best in the long-term interests of the people of Scotland.

Social investment

In the longer term, this Scottish Government will pursue policies which conform with the idea that welfare is a “social investment” – an investment across a person's life that is designed at all stages to promote equality, fairness and social cohesion. This is an idea that has been discussed by the Expert Working Group on Welfare and is part of its call for evidence¹⁹⁹. It defines welfare as all of the services and benefits that we receive from the state rather than just cash transfers.

A social investment approach starts from the premise that the delivery of welfare services should not be seen as simply a safety net for individuals who cannot support themselves. Instead they should be seen as an opportunity for positive investment in people throughout their lives. Social investments

are designed to produce specific returns, such as learning and development in early years, employment and health gains in adult life, and for older people, increased independence and ability to be active in their communities. This investment is repaid through better outcomes for people, families and communities, and through increased contributions to society, whether that is through taxation or other means. This approach is designed to create a shared responsibility amongst citizens, helping to establish a social partnership between them and the state, where high-quality public services are provided in return for people participating in society through work where this is possible or making other positive contributions where this is not.

So, for example, ensuring that there is high-quality readily available childcare supports parents to find sustained employment, but it is also an investment in children to give them the best start in life. And, as a result of this early investment, when those children go on to achieve their full potential, they will repay that investment through their productivity and creativity as active members of a more cohesive society.

Another example of social investment will be the use of active labour market policies to get people into good quality sustainable work. This can ensure that our young people, for example, are supported to develop their skills and experience. DWP research into the early stages of the Work Programme suggests that, at the moment, many providers are prioritising more “job-ready” participants for support, ahead of those who are assessed as having more complex/substantial barriers to employment²⁰⁰. Our social investment approach would not encourage focus on short-term gains. With independence, we could develop more targeted labour market policies suited to Scottish circumstances, matching demand – in growth areas like engineering, renewables, oil and gas and life sciences – with young people seeking to develop their skills, expertise and experience.

The Nordic countries have shown that effective social protection systems, based on the social investment principle, can help to reduce unemployment, increase earnings and spending power as economies grow.

The social investment model recognises that people require lifelong investments, made at different times in their lives. When these investments are made through the delivery of high-quality services, enjoyed by all members of society regardless of income or background, the life chances of all members of society are improved. The social investment model fosters a culture in society that is more inclusive, more respectful and more equal. It also places the cash transfers that people traditionally think of as welfare – such as out of work benefits and tax credits – in a wider, more cost-effective and socially beneficial context when viewed over the longer-term. Investments in childcare, education, health and active labour market policies will reduce reliance on, and also the costs of the cash transfer parts of the welfare system.

A social investment approach will reap benefits for the whole of Scotland in the medium and long-term. Scotland already practises this model of investment in the areas over which the Scottish Government already has powers – in our approach to early years and the prioritisation of youth employment for example. We now want to extend that approach into the crucial areas of welfare, employment and childcare – all currently reserved to Westminster.

The social investment approach creates a framework of guiding principles that will underpin the development of welfare policies, but in order to deliver it, Scotland must have control of the full range of powers, and responsibility for all government revenues and expenditure. It offers an alternative approach to that being pursued by Westminster.

Halt the further rollout of Universal Credit and Personal Independence Payment

As well as the recommendations of the Expert Working Group, our precise proposals for longer term welfare reform will also depend on the state of the system inherited by Scotland on independence.

Universal Credit rollout has been affected by significant controversy delay. The National Audit Office²⁰¹ has concluded that it has not achieved value for money and the Department for Work and Pensions has no detailed view of how UC is meant to



work. The NAO also notes that rollout across the UK has been scaled back considerably and the DWP does not yet know to what extent its new IT systems will support national roll-out. Their report goes on to say that the Department has not yet been able to assess the value of the systems it spent over £300 million to develop.

The rollout of Personal Independence Payment (PIP) has also been difficult and created significant anxiety amongst recipients of Disability Living Allowance (DLA) and those people and organisations that support them.

Any change to disability benefits requires the medical re-assessment of recipients of disability benefits. We know that recipients of disability benefits, and the organisations that support them, have lost faith in the reassessment process. The work capability assessment which considers whether those in receipt of Incapacity Benefit should instead receive Employment and Support Allowance has already been reviewed four times and, in the eyes of many, has lost all credibility. The roll out of PIP using the same process will cause even greater hardship for the most vulnerable members of our society.

Westminster has been forced to delay the introduction of PIP twice. The latest delay means that current DLA cases will not begin to be migrated to the new PIP until 2015, well after the referendum.

It is, at this time, not possible to predict precisely how many people in Scotland will be in receipt of UC or PIP in an independent Scotland in early 2016. By the time of the referendum, however, the number of people receiving UC or PIP will be very small.

The current Scottish Government considers that the continued roll out of UC and PIP is not in the best interests of Scotland. Halting these changes will give an independent Scotland the opportunity to design and implement a welfare system suited to our needs. In the event of a vote for independence in the referendum, the Scottish Government will ask Westminster not to proceed any further with the roll-out in Scotland of UC and PIP, in order to give the Scottish Government elected in 2016 maximum flexibility to begin to reform the welfare system in line with its priorities. This Scottish Government will not proceed with UC and PIP if we form that government. For those not already in receipt of UC and PIP, the existing welfare arrangements will remain in place (changed by our immediate priorities such as abolishing the “bedroom tax”), until longer-term reforms are introduced in Scotland.

Tackling in-work poverty

The current welfare system has failed to tackle in-work poverty. It will be a priority of this Government to do so in taking forward welfare reform in an independent Scotland.

Despite periods of time when overall poverty has reduced, in-work poverty levels have remained stubbornly consistent from one year to the next, meaning that over time, in-work poverty has accounted for a greater proportion of the overall number of households in poverty in the UK. Two thirds of children who live in poverty in the UK have at least one parent in paid work²⁰².

Critical to this is that much of the work available to families is low-paid, low-skilled, insecure and underpinned by a minimum wage that has failed to keep up with the cost of living.

Our proposals on childcare, and the establishment of a Fair Work Commission to ensure the minimum wage, matches inflation are designed to address these issues.

Importantly, from a social investment perspective, investments in early years childcare, and ensuring that benefits and tax credits keep pace with inflation, will help to reduce the potentially damaging consequences that affect children who are raised in homes living below the poverty line. In other words, they can reduce costs in the longer-term. That is why the social investment principle will guide the action of the current Government as we reform welfare in the future.

Delivery of benefits in an independent Scotland

We accept the Expert Working Group on Welfare's recommendation in its first report that there should be a transitional period of shared administration for delivery of benefit payments²⁰³. As highlighted by the Group, this makes sense in the short term, not least because it ensures continuity of payments for millions of benefit recipients elsewhere in the UK. However, we propose that such a system of shared administration will last only until 2018 and be organised in such a way that will:

- allow the first government of an independent Scotland to introduce its priorities for change from 2016
- allow that government to begin the work towards creating a welfare system that better reflects Scotland's priorities

We will therefore work to ensure the transitional period is as short as possible, with a target for it to end in 2018.

As we look towards our own system of administration for welfare and pensions, we will benefit from the fact that much of the infrastructure for making such payments already exists in Scotland. As the Expert Working Group on Welfare reported:

Scotland delivers almost all parts of the current UK benefits system to people living in Scotland from locations within Scotland²⁰⁴.

Delivery of benefits to people in Scotland is carried out mainly by the Department for Work and Pensions (DWP), with HM Revenue and Customs (HMRC) responsible for the administration of Child Benefit and Tax Credits. Currently all

claims for Jobseekers Allowance, Employment and Support Allowance, Income Support and Incapacity Benefit made by people living in Scotland are processed in Scotland.

All claims for State Pensions and Pension Credit in Scotland are also processed in Scotland, as are all applications to the Child Maintenance Service from Scotland.

There are four HMRC Contact Centres in Scotland and 28 Enquiry Centres that deal with all revenue matters, including claims for Child Benefit, Working Tax Credit, and Child Tax Credit, which are administered by HMRC. In addition, as at April 2011, 1,800 local authority staff in Scotland provided combined Housing Benefit and Council Tax Benefit services²⁰⁵. This substantial infrastructure that already exists in Scotland will provide us with the required capacity to ensure the effective and efficient payment of benefits. Added to that will be our agreed transitional arrangements, which will form a solid, and sensible, platform from which to develop both medium and longer-term options. We will seek agreement with the Westminster Government in the transitional period to cover:

- the term of the agreement and arrangements for varying that term
- the services each government will provide to citizens
- the financial arrangements for providing those services
- data sharing and record keeping
- contracts, leases and all third party arrangements

We also envisage that our system of delivering benefits in the future – including health assessments – will be in the public sector. In designing the most appropriate future delivery arrangements, therefore, we will work in partnership with local government, the Third Sector and others. We will ensure that the people most directly affected by the system of welfare support, those in receipt of benefits, will play a central role in its design.

Housing and communities

The Scotland we can create

Building strong communities has been central to the Scottish Parliament's approach to social justice since devolution, but we remain a nation of unequal outcomes, with some places and groups suffering profound disadvantage and inequality²⁰⁶. Under the current settlement, we are limited by the powers available to us. As an independent country, we can do more to put our communities at the heart of policy-making in areas currently reserved to Westminster, creating new opportunities to make different and better choices.

Just as we believe that the people of Scotland are best placed to make decisions in the best interests of all in Scotland, so we believe that local people will also secure the best outcomes for their communities. Successful regeneration is dependent on a wide range of organisations, including the public, private and Third Sectors, working together alongside communities themselves. In Scotland, the importance of local decision making is already being recognised, not least in the proposed Community Empowerment Bill, and with new responsibilities we can see this approach extended across all aspects of government.

The choices open to us

Decisions made at Westminster undermine our efforts to create resilience in communities. For example, the "bedroom tax" risks forcing people away from the communities that support them.

The housing challenges facing Scotland are very different from those in England. Social housing remains an essential part of our housing system, catering for 23 per cent of households²⁰⁷. The harsher Scottish climate and the challenges of heating remote homes call for an ambitious approach to energy efficiency and carbon emissions reduction.

Successive Scottish Governments have taken a distinctively Scottish approach, which prioritises the sustainability of communities. However, there is more that can be achieved. Full flexibility over our budgets will enable future Scottish Governments to broaden action to make more affordable



housing available to meet housing need and tackle fuel poverty. Removing constraints placed on us by the Westminster Government will open up opportunities for action to further improve the quality of housing, for example in the social rented sector, and allow governments to introduce different ways of supporting first-time buyers.

Our priorities for action

The current devolution settlement places significant constraints on the Scottish Government's freedom to invest in housing supply. The Institute of Fiscal Studies observed that "under the present devolution settlement, the Scottish Government is bearing the cost of greater investment in social housing and lower rents, whilst some of the benefits of that spending accrue to Westminster in the form of lower housing benefit payments"²⁰⁸. This Government, therefore, will ensure greater integration between our policies on housing supply and housing benefit support.

Recently the Scottish Government has also pioneered innovative financing approaches for affordable housing. At least 1900 new affordable homes are currently being delivered in communities across Scotland using new mechanisms. These measures have had to conform to UK Treasury rules, which are often not designed for Scotland's needs or circumstances.

With independence, we will make use of our increased flexibility to deliver a more appropriate financial framework to support housing investment in new and innovative ways.

Similar restrictions are in place in other aspects of housing finance. For example, when the Westminster Government invests in loans and equity stakes to support market housing, the consequential resources for Scotland must also be used to provide loans or equity stakes. While the current Scottish Government has chosen to invest these resources in a range of housing initiatives, especially shared equity, other options, such as increased investment in social housing, have not been possible. With independence, this Government will ensure these limitations are removed so that the most effective investment choices can be made.

Independence will allow a joined-up system in which future Scottish governments can take strategic decisions about up-front investment in housing supply, to best support our communities and our house building sector, based on the full-life costs and benefits of that investment.

Fuel poverty is another very real problem for far too many of our people, putting at risk the very young and older people. Scotland is an energy-rich nation, but currently only has control over one of the contributing factors to fuel poverty – the energy efficiency of Scottish dwellings.

The current UK regulatory model has proved to be ineffective in providing meaningful incentives for improved energy efficiency of Scotland's homes. It has done little to increase households' ability to access low cost "dual fuel" tariffs. Around nine per cent of households in Scotland are without mains gas and 43 per cent²⁰⁹ of these households live in fuel poverty²¹⁰. Independence will enable a regulatory approach that is tailored to specific Scottish conditions that influence the costs of keeping homes warm, such as our climate, our mix of urban, rural and remote communities and our distinctive housing stock.

In addition, the Energy Expert Commission will advise on ways in which an independent Scotland can promote fairer, more affordable energy prices, and meet the need to address fuel poverty and deliver measures to improve energy efficiency. The Government has already announced our intention to save households money by funding from central resources the existing Energy Company Obligation and Warm Homes Discount (see Chapter 8), and give full weight to the Expert Commission's findings.

Health, social care and the NHS

The Scotland we can create

The provision of health and social care services is one of the major responsibilities of the Scottish Parliament and Government. Since 1999, successive Scottish governments have made steady improvements to Scotland's health and the quality of healthcare, while protecting the NHS as a free, truly public service, consistent with the values of the NHS and the priorities of people in Scotland.

Responsibility for the health service in Scotland has allowed us to show what can be achieved with the full powers of independence. Scotland has taken a very different approach to health and social care from that taken by Westminster governments over the years. We have maintained a commitment to the NHS as a public service and, in delivering free personal care, we have demonstrated that Scotland can provide support for older people in a way that looks after them, maintains their dignity, and respects the contribution they have made to society.

Without devolution, NHS Scotland – like its counterpart in England – would have been repeatedly re-organised by the Westminster Government of the day, regardless of the needs of the health service in Scotland. It would now be exposed to private competition and an unfair system of social care. We would be experiencing today the consequences of Westminster decisions on our health service in the same way as we are seeing the impact of Westminster's welfare choices on our most vulnerable fellow citizens.

**CHILDREN BORN
IN THE POOREST PARTS
OF OUR COUNTRY CAN
EXPECT TO LIVE**

11 YRS LESS*



**THAN THOSE IN THE
WEALTHIER AREAS**

**AND CANCER
MORTALITY**

76%**

**HIGHER
FOR
THOSE
IN**



DEPRIVED AREAS

*SOURCE: SCOTPHO **SOURCE: NHSSCOTLAND

Under devolution, NHS Scotland has been reshaped and modernised – but to reflect our requirements and the opportunities for a health service in a country the size of Scotland. Currently this Government and our partners in health boards and local authorities are taking radical steps to join up health and social care, ensuring that organisational barriers do not prevent people receiving the care they need in the setting they prefer, for example, at home.

With independence we can address directly inequalities in Scotland, which are the root cause of many of the country's remaining health issues. If in government after the 2016 election, we will adopt a government-wide approach to the health and wellbeing of our nation with confidence that the actions we take, and their success, will be down to our own efforts and our own decisions. The alternative is for Westminster to continue to control the overall level of Scotland's budget, and to make decisions that directly affect poverty and wellbeing through the tax and benefits systems.

In an independent Scotland, we will continue to provide high-quality, world-leading health and social care to the Scottish people in a way that reflects the founding principles of the NHS and our social care services. Independence will not affect the day-to-day management of the NHS in Scotland or how people access NHS services. However, it has the potential to transform the environment within which our NHS operates. Similarly, it will not mean

ending current cross-border arrangements with health services in the rest of the UK, which have continued even though the NHS in Scotland already operates independently.

The choices open to us

With independence, we can build on the gains of devolution for our health and social care services to enhance the health and wellbeing of people across society.

Since the Scottish Parliament was established in 1999, we have had full operational responsibility for the National Health Service in Scotland, and for health and social care policy. Scotland has chosen a different way forward for our NHS compared to successive Westminster Governments. There is no competition, or internal market, in Scotland. GPs refer patients to a treatment centre within their own health board area, and they will be referred elsewhere if the required service is not provided locally. One of the strengths of the integrated model in Scotland is greater consistency of approach and clear responsibility for NHS Boards to deliver safe, effective and person-centred services, for which they are held to account through annual accountability reviews, held in public.

Successive Scottish governments have ruled out the disruptive and costly structural reforms and upheaval that have taken place in NHS England. Avoiding these multiple and costly reorganisations, and privatisation, has allowed us to focus on improving safety and quality of care.

The Scottish Parliament has used its responsibilities to introduce free personal care and protect the National Health Service. Major achievements of the health and care services in Scotland under devolution, which we can build on with independence, include:

- introduction of the smoking ban in public places
- our world-leading patient safety programme with major reductions in levels of hospital healthcare associated infections (a programme which has been endorsed by Don Berwick, adviser on healthcare issues to Barack Obama)

- significant reductions in premature mortality from cancer, heart disease and stroke
- reduced waiting times and delayed discharge from hospital
- the removal of prescription charges and introduction of free eye tests
- the highest level of dementia diagnosis in the UK
- a focus on the importance of the early years as a foundation for long term health and wellbeing through initiatives such as Family Nurse Partnership and the Early Years Collaborative
- protection of the frontline NHS budget
- a single vision for sustainable quality across health and social care services
- agreement to the integration of adult health and social care services
- unique workforce partnership arrangements

Our priorities for action

This Scottish Government plans to continue with current arrangements for the management of the NHS in Scotland, focussing on sustainable quality and for the integration of adult health and social care services. Services will be accessed in the same way as under the devolution settlement.

Despite efforts to address the challenge of health inequalities in Scotland over recent years, health inequalities persist and demonstrate that the “fundamental causes” of health inequalities – the socio-economic inequalities in society – are the most important.

Recent research shows the strong correlation between poor health and poverty²¹¹. It suggests that the reason for Britain’s high health inequalities is the failure of successive Westminster governments to choose to reduce inequality.

Independence will also allow us to do more to tackle major causes of ill-health, which disproportionately affect poorer communities. In March 2006, Scotland was the first country in the UK to enact a ban on smoking in public places. This has resulted in a dramatic reduction in smoking related diseases²¹². We have also led the way in developing ambitious proposals to tackle harmful drinking by legislating for a minimum unit price for alcohol.

We have maintained our commitment to strong action to tackle smoking and alcohol misuse with all the powers available to us. In contrast, the Westminster Government has chosen to put on hold proposals for plain packaging for cigarettes, and abandon plans for minimum pricing for alcohol.

With independence, we will have greater scope and clearer powers to regulate alcohol and tobacco, including through taxation – reducing the opportunities for legal challenge which have held up several of our initiatives to date.

We are already taking a distinctive approach to food standards²¹³. Independence will allow this to be linked to tax policy and advertising regulation – allowing a coherent and concerted approach to issues of obesity and poor diet, which disproportionately affect poorer communities.

A major advantage of independence for health and wellbeing in Scotland is therefore to have the ability to use the full range of levers to promote good health. It is matched by the opportunity to grow Scotland's economy for the benefit of all and address inequalities in Scottish society that have not been, and will not be, addressed under Westminster.

After independence, Scotland will maintain a very strong relationship with the other countries of the UK. Scotland will continue to work with other parts of the UK to provide services where this provides access to the highest quality of care and delivers the best outcomes. There are already effective cross-border working arrangements in place, which will provide a strong foundation for continued co-operation, just as there is with Ireland. Partnership arrangements are also in place with a number of European countries, including, for example, Sweden.



Services provided for patients outwith Scotland include highly specialised care for people with rare diseases or conditions, and certain types of transplantation. The rare cases of transplants being conducted outwith Scotland are for lung, small bowel and paediatric transplants. Because there is a relatively small number of these procedures, contracting these services from clinical specialists offers the best health outcomes for Scotland's patients. These arrangements will continue exactly as they are at present after independence.

On independence, Scotland will continue the current arrangements for organ donation across the UK, maintaining one donor register and sharing donated organs. This will ensure that all organs are placed with the best matched patient. The Irish Health Service Executive also co-operates on organ transplantation with NHS Blood and Transplant (NHSBT), who co-ordinate transplant services across the UK. This reflects international best practice in transplantation where groups of countries work together, for example Eurotransplant in mainland Europe (Austria, Belgium, Croatia, Germany, Luxembourg, Netherlands and Slovenia), and Scandiatransplant in the Scandinavian countries (Denmark, Finland, Iceland, Norway and Sweden).

Arrangements for reviewing NHS pay are already devolved but NHS Scotland currently operates within UK structures and modifies UK agreements to reflect Scottish circumstances where necessary. With independence, we will review the machinery for pay determination in partnership, including the potential for improvement across the wider Scottish public sector. The Scottish Government has developed a Scottish GP contract in partnership with the BMA, and with independence we will continue to work with them, and all relevant partners, to ensure that GP contracts are developed to meet the needs and circumstances of the people of Scotland. Similarly, for hospital based doctors and dentists, the Scottish Government will work with all relevant partners in Scotland, and seek to co-operate with Westminster where appropriate, to negotiate pay, terms and conditions.

Scotland is already responsible for the regulation of some health professions – those who came to be regulated after the establishment of the Scottish Parliament. After independence, we will become responsible for all regulation. We will seek to co-operate with Westminster, and the devolved administrations, to ensure that health professional regulation is maintained in the best interests of patient safety and the consistent treatment of healthcare professionals. We will also maintain the existing professional healthcare regulatory bodies, which are funded by fees from registrants, and will continue to operate in Scotland after independence.

Sport

The Scotland we can create

Scots are passionate about sport and our country has a long and proud sporting tradition. Tens of thousands of Scots already realise the benefits to be gained from participating in physical activity and we want more people to get active. We believe that by looking at physical activity and sport together will we harness that passion and tradition to make positive changes in our country – improving health, reducing anti-social behaviour and making our society fairer.

Scotland already competes as a nation in our own right in international competition with 11 governing bodies of sports

directly affiliated to their International Federation²¹⁴. Scotland competes very successfully and, since 1998, the **sportscotland** Institute of Sport has helped prepare many of Scotland's best athletes to perform on the world stage.

In 2014, Scotland has the privilege of hosting two of the world's greatest sporting events – the 20th Commonwealth Games in Glasgow and the Ryder Cup in Gleneagles. These events present a wonderful opportunity for us to realise our ambition of helping Scots to become more active. The Games coming to Scotland provide an exceptional opportunity to make our nation healthier, and to celebrate our modern and vibrant culture both at home and on the world stage.

Since 2007, over £73 million has been invested in sports facilities across Scotland. This substantial investment has enhanced the sporting infrastructure of our local, regional and national sporting assets in the following ways:

- development of world-class facilities such as the new indoor sports arena and Sir Chris Hoy Velodrome in Glasgow
- a network of new high-quality regional multi-sport facilities including the Aberdeen Sports Village and Ravenscraig and Toryglen centres of sport
- development of 23 football pitches and 12 new and upgraded swimming pools in communities throughout Scotland
- a new £25 million National Performance Centre for Sport to be developed at Heriot Watt University that will provide Scotland's first ever dedicated performance centre available to all of Scottish sport. It will offer our elite athletes the facilities and services to train and prepare for competing at international level

In addition, substantial progress has been made to encourage and support the growth of local participation in sports and physical activity. This has included:

- £80 million investment through Active Schools offering over five million opportunities for Scottish children in over 100 different sports this year



- an additional £8.5 million of funding to ensure PE is delivered in all schools
- the establishment of 114 Community Sports Hubs bringing local people together and providing a home for local clubs and sports organisations
- a £10 million Active Places Fund that will create and improve places in local communities where people can become active
- £24 million through the CashBack for Communities scheme to improve facilities and provide over 750,000 opportunities for local communities to participate in sport and physical activity
- £5 million invested in clubgolf since 2003 which has provided 260,000 children in Scotland with an opportunity to try out golf

At an elite level, our athletes are supported by the **sportscotland** Institute of Sport with training, support and advice which helps them produce world class performances and, through Coaching Scotland, we have a framework which will lead us to a vibrant, highly skilled coaching system that is world renowned.

In an independent Scotland, we will build on this record to grow a world class sporting system at all levels, with real strength in schools, clubs and high performance sport.

Our priorities for action

An expert Working Group on Scottish Sport is considering how sport can develop and take advantage of the opportunities presented by independence.

Membership of the Working Group has been drawn from a broad cross section of interests in sport, physical education, health, education, business and the Third Sector to fully represent all the opportunities sport presents. The early work of the Group has focused on ensuring Scotland can be successful in future Olympic and Paralympic Games. From its work so far, the group has concluded that "...there is no reason that securing National Olympic and Paralympic Committee status should not be a relatively straightforward process for an independent Scotland, recognising that the final decision-making powers and the timescales involved are a matter for the relevant international bodies". The work of the group will conclude in spring 2014 with a final report on how independence can improve Scotland's sporting credentials.

Based on the Group's work and the recent experience of newly independent states, the Government does not envisage any significant barriers to Scotland achieving Olympic and Paralympic accreditation and being able to participate at Rio 2016. For example, Montenegro and the Balkan States received recognition within one year of independence, while Croatia and Slovenia were accredited before securing UN membership.

Independence will mean that more Scottish sportswomen and sportsmen will have the opportunity to compete at the highest level of international competition. It will also mean that the key decisions on athlete development will be taken in Scotland with the needs of the athlete at the centre. This will help many more of our sports-people reach their full potential.

A successful sporting nation, alongside the considerable investment this Government is already making in Scottish sport, has the power to inspire all ages and abilities in all areas of Scotland to get even more active. This will have enormous benefits for Scotland's health and wellbeing.



CHAPTER
5

**EDUCATION,
SKILLS AND
EMPLOYMENT**

- This Government plans a transformation in childcare provision for every child between age one and school age. By the end of the first independent Scottish Parliament all three and four years olds, and vulnerable two years olds, will be entitled to childcare equivalent to the time spent at primary school
- With independence benefits, taxes and employment services will work with the education system in raising attainment amongst our most disadvantaged young people
- Access to higher education will be based on ability, not wealth; this Government will protect free tuition fees for Scottish students and continue to provide appropriate support for living costs
- This Government will provide levels of public investment in university research that will enable our researchers and universities to remain internationally competitive
- Education and employment rights could be made part of the written constitution of an independent Scotland, including a youth guarantee to employment, education or training

Why we need a new approach

Education represents an investment, not just in our children, but in our culture, society and economy. Quality education helps young people be successful learners and grow into confident individuals, responsible citizens and effective contributors to society. A highly skilled population leads to higher wages, better jobs and economic growth, and benefits the health and wellbeing of each of us. Investment in the people of Scotland through excellent education and high skills greatly enhances our likelihood of employment.

However making this a reality for each and every one of our young people is the work of more than just our nurseries, schools, colleges and universities.

A child in poverty is a child that has yet one more barrier to learning. A child whose home life is chaotic, or who is hungry, cannot do their best. And a child who worries about the future of their family, is a child who is distracted from fulfilling their potential.

This simple reality has seen generations suffer the lack of equality of attainment in our schools. Pupils from the most disadvantaged 20 per cent of areas leave school with significantly lower qualifications than those in the most affluent 20 per cent. That gap is greater than most of the developed nations against which we measure ourselves²¹⁵.

The main tools for tackling poverty – and for tackling the attainment gap – lie in the tax and benefits system and employment services. All need to play their part in a coherent system that delivers for children, allows parents to work, and boosts family income.

Currently these critical powers are under the control of Westminster, which is not using those tools to tackle poverty or promote work in Scotland – but to cut welfare. Over the five years to 2015, these cuts will potentially remove over £4.5 billion from Scottish households, £1 billion of it affecting children directly²¹⁶. Indeed a further 15,000 Scottish children will be pushed into poverty as a result of just one of those welfare cuts – capping the rise in working-age benefits²¹⁷.

Poverty plays a huge role in attainment. We need to join up our action to improve education with our action to eradicate poverty – and to do that, Scotland needs to take control of the tax and welfare system and the powers that influence the labour market.

Social work and Scotland's approach to children in trouble or at risk is unique. Next year will mark 50 years since the landmark Kilbrandon Report that established the Children's Hearing's system; Scotland has a proud tradition of a progressive approach. We have strong social work services and dedicated staff, but the reality is that their work – and the lives of the children they are trying to help – are inevitably tied to decisions on tax and welfare taken elsewhere.

Even where we have some powers already, too often decisions taken by Westminster impact on our ability to make the progress Scotland needs.

For example, decisions by Westminster on student visas have restricted access for international students, posing a direct threat to Scotland's universities and colleges. Not only do some prospective students find it difficult to obtain a visa to come and benefit from a Scottish education, but they are unable to use this education for the benefit of Scotland by remaining after graduation and playing an active part in the economy and culture of Scotland.

As a result of this, Universities Scotland have said in relation to Westminster's visa policy that "it is hard to see a bigger risk, or a more poisonous gun pointed at our collective success"²¹⁸.

Of perhaps even greater damage is the impact on post-graduate international students. Westminster's policy ignores the needs of Scotland and the universities resulting in the Scottish Council for Development and Industry (SCDI) describing it as its "biggest source of concern" in relation to Scotland's universities²¹⁹.

Independence will provide the ability for Scotland to develop our own immigration system ensuring that we benefit from the skills and enthusiasm of those highly educated people who wish to make Scotland their home.



As long as we rely on funding decisions at Westminster, we will bear the consequences of decisions that Scotland does not support. On universities, for example, the introduction of top-up fees in England substantially reduced government investment in higher education south of the border, and therefore reduced the size of Scotland's allocated budget – although universities and their funding are devolved to Scotland.

Progressive policies will tackle poverty, support jobs, and protect family incomes. Independence will give Scotland the powers to free children from poverty and enable them to meet their potential. Independence will also break the link to Westminster policies that Scotland neither wants nor needs.

The opportunities available to Scotland

Scotland has a proud tradition of commitment to excellent education for all our citizens. We have long enjoyed an international reputation as the first nation in the world to introduce a democratic system of schooling, open to both boys and girls, as early as the 17th century.

Our strengths and successes in education and employment have built on all that is best in that tradition and come from choices made in Scotland under devolution.

The pre-school sector, schools, and colleges and universities have all benefited from decisions of successive Scottish Governments, including massive expansion of nursery places, a radical overhaul of schools through the new Curriculum for Excellence (CfE), reform of the college sector, free university tuition and support for Scotland's world-class universities.

Excellence and high achievement can be found throughout our education system – in our nurseries, schools, colleges and universities. Scottish education is good but we believe it can once again be great.

Nursery and childcare

Our approach begins with giving every child the best start in life. That is why we have increased the provision of pre-school places for three and four year olds. In 2007 this stood at 412.5 hours a year. We have already expanded this to 475 hours and, with our new Children's Bill currently before Parliament, this will expand to 600 hours – around 15 hours per week – from August next year.

Nursery education benefits the child but it also makes it easier for parents – particularly mothers – to work. This helps family finances, both by saving them the equivalent of up to £707 in childcare costs every year²²⁰ and by boosting income from work, benefiting the whole family. Our new Children's Bill does not just expand the number of hours, but also gives more flexibility so that parents have more choice over how they use the nursery hours to best fit in with family life and maximise the opportunity of finding work.

With independence – and the powers over the tax and benefits system – we can go even further. We want to extend the support we give to our youngest children and their parents, to expand childcare provision and deliver additional rights and opportunities for parents, so that Scotland matches the very best in Europe.

Primary and secondary schools

The substantial investment in Scotland's schools has seen secondary school attainment levels increase year-on-year. In 2011/12, school-leaver destinations – the numbers getting a job,



going on to college or university, or undertaking training such as a Modern Apprenticeship – were the best on record²²¹. Building on this, 2012/13 saw the highest pass rates for Highers (77.4 per cent) and Advanced Highers (82.1 per cent)²²². In 2012/13, 89 per cent of school leavers were in positive destinations – positive and sustained learning, training or work – the highest proportion ever²²³.

This strong record of achievement means Scotland is well-placed for the next step now under way in our country's education history: Curriculum for Excellence (CfE).

CfE is the radical renewal of the way Scotland's schools teach. It focuses on achieving the highest possible levels of literacy and numeracy, developing skills for learning, skills for life and skills for work. But it goes further and delivers knowledge and understanding of society, the world and Scotland's place in it. And, because education is also about who we are as a nation, it helps pupils develop well-informed views and act responsibly.

All of this comes against a background of reduced class sizes in the early years of primary school and substantial investment programmes in new school buildings, halving the number of children being taught in substandard buildings²²⁴.

Higher and further education

Higher education is one of Scotland's major strengths with more universities in the *Times Top 200 world universities* per head of population than any other nation²²⁵. This Government has restored free access to higher education to Scottish domiciled undergraduate students, maintained the number of places available at our universities and provided additional funded places in support of widening access.

Scottish universities are internationally renowned for the quality of their research. Around half of Scotland's research has been assessed as world-leading or internationally excellent²²⁶ and Scotland ranks third in the world (after Switzerland and the Netherlands) and ahead of all the G8 countries in terms of citations per researcher²²⁷. The excellence of research in Scotland's universities contributes to Scotland's international reputation for research and innovation. Investment in Research and Development (R&D) activity is a key component of driving innovation and supporting improved long-term economic performance. Currently, Scotland has over 620 organisations in the science and innovation sector employing over 30,000 staff²²⁸. The continued expansion of this sector, after independence, will be vital to achieving sustainable economic growth.

Scottish universities are highly attractive to overseas students²²⁹. In 2011/12 Scottish institutions received an income of £337 million from non-EU student course fees alone²³⁰ as well as benefiting from the wider contribution that international students make to Scotland's economy and society, and the longer term contribution that international alumni make to extending the reach of Scottish universities overseas.

This Government's reforms to colleges reflect our ambition for the sector to realise its potential. We have created institutions that are better able to work with other learning partners, and deliver the provision that learners need to get a job, and that employers need to become more competitive – including nearly one-fifth of higher education provision in Scotland. Our colleges will lead in making real some of the ideas from the Commission for Developing Scotland's Young Workforce, in creating new partnerships between school and colleges to deliver a still



broader range of vocational opportunities, further enriching the senior phase of CfE. This is supported by our funding floor for colleges of £522 million this and next year, rising to £526 million 2015/16, and by record levels of further education student support.

Employability

The education initiatives for those aged over 16 are complemented by the training opportunities provided through Skills Development Scotland, including in excess of 25,000 Modern Apprenticeship places in 2012/13. To further boost the opportunities for young people seeking to enter the labour market, Scotland is the only European country with a dedicated Youth Employment Minister, who is responsible for a range of initiatives and activities to maximize the chances of Scotland's young people.

Employment services and training for employability will be significantly improved by independence. At the moment, the financial benefits of successful employment initiatives by the Scottish Government – such as Modern Apprenticeships, Higher and Further Education funding and other training programmes – go to the Westminster Government in the form of reduced welfare payments and increased tax revenues. With independence we will retain these benefits in Scotland and can re-invest them in our people by funding more employment programmes.

The education sector has already successfully shown the potential for joining up policies across a range of areas, both in the early years, through the *Early Years Collaborative*, and for post 16 training and education opportunities²³¹. Independence will provide the mechanisms to extend this coherent approach to government, connecting education to other services such as the benefits system and the immigration system.

Scottish policy is working for our young people, and provides a substantial foundation upon which an independent Scotland can build. *Opportunities for All* is our guarantee of employment, apprenticeship or training for all young people aged 16 to 19. This commitment is especially important for those who, for whatever reason, are furthest from the labour market. For many in this group our support is offered through Activity Agreements. This approach is grounded in the reality of an individual's personal circumstances and offers tailored help to move towards employment.

In an independent Scotland we will build on the success of collaborative working, with individuals of all ages, to support their journey towards and into sustainable employment. In doing so we will truly create opportunities for all. By integrating employment and skills policy and delivery, independence can ensure the most appropriate support for those looking for work and those preparing to enter or re-enter the labour market.

Improvements to the Scottish education system have been the result of extensive work within Scotland, with stakeholders, professionals and users of the services, including employers. Scottish education policy has looked around the world for inspiration and incorporated lessons from elsewhere into existing structures, building on the best in Scotland with innovations from elsewhere. This record shows how self-government in Scotland successfully delivers new and effective policies to improve society and achievement in Scotland, and provides a model and example for Scotland following independence.

The Scotland we can create

Scottish education is poised to take advantage of the powers of independence to make Scotland the best place to grow up.



Independence will provide the ability to join up policy, tackling head-on the issues that have blighted generations. We can create opportunities for the whole education system, in particular allowing us to:

- invest in the early years of childhood by transforming the childcare system to match the best in Europe
- integrate our approach to education with wider social policies, such as taxation and benefits, and to address the child poverty that can adversely affect the ability of young people to learn and to develop
- focus on employment issues and a person centred approach to supporting those who want to work, with action on a living wage and the minimum wage so that more Scots get a fair reward for their hard work (see Chapter 3)
- support our university sector, promote it internationally and encourage both academic staff and students from around the world to study and settle in Scotland and to contribute to our economy and society

Poverty causes problems for Scottish education which cannot be fixed by improvements in our schools alone, even though the CfE and the wide range of innovative work can try and limit the effects of deprivation on our children's education.

Currently Westminster controls tax, benefits and labour market policy, and Scotland controls education policy. One may undermine the other, as when changes to welfare increase child poverty.

The Scottish Government agrees with the conclusion of the OECD that “education systems don’t have to choose between equity and opportunity and high performance”²³². With independence, a welfare system aligned with our education system can address child poverty and educational under-achievement in Scotland. We believe that poverty is not, and must not be accepted as, inevitable in Scotland.

This approach is true to our proud educational heritage in Scotland. To build on this legacy, the written constitution of an independent Scotland could also enshrine the right to education for the benefit of individuals and society as a whole.

Early learning and childcare

The choices open to us

We know that investment in the early years can bring huge rewards in later life, both at an individual level, and for society as a whole. If we want to make the most of Scotland’s people, our greatest asset, and support them to flourish in a vibrant society and economy, then it is essential to focus on their development at the earliest stages. Improving opportunities for young Scots, therefore, is one of the most important reasons for choosing independence.

Extensive provision of early learning and childcare for all families is a hallmark of some of the most advanced and successful countries today. There is a wide range of evidence indicating the potential benefits of high quality, funded early learning and childcare, with all social groups benefiting from high quality pre-school provision and children from the poorest families gaining most from universal provision²³³.

Clearly, the principal aim of providing this support is to give children the best start in life and the greatest chance to succeed as they grow and develop into adults. However, it brings with it other important benefits for society as a whole.

Childcare has important benefits for children and it also provides a key support to participation in the labour market, particularly for women. For example, in Denmark, which has extensive childcare provision, 79 per cent of mothers with children under six work, whereas in the UK the comparable figure is 59 per cent²³⁴. Of mothers citing childcare as a barrier to working full-time, over 70 per cent say it is because of the costs²³⁵. Under the devolution settlement, the tax revenues and benefits savings arising from increased labour market participation by mothers would flow to the Westminster Government. With independence, these benefits would accrue over time to the Scottish Government, substantially bolstering the financial case for a transformational change in childcare provision.

Under the Westminster system, families in Scotland have waited too long for the provision of adequate and fair childcare provision. Independence will give us the powers to make that ambition a reality, and become a modern, successful, socially just country that cares for our most vulnerable and provides opportunities for each and every child who lives here. With independence we can develop a distinctive system, built round the needs of our children and their families.

The goal of this Scottish Government, therefore, is to deliver a transformation in the provision of high quality, early learning and childcare throughout Scotland. We are taking the first steps on that journey with the Children and Young People Bill, currently before the Parliament, introducing a significant enhancement of the early learning and childcare offered to all families. The legislation increases provision for each three and four year old and our most vulnerable two year olds to a minimum of 600 hours, up from the current 475 hours, and also introduces flexibility to meet parents' needs fully and properly.

These changes, bringing with them a required increase in capacity, and a growing skilled workforce, will be introduced without compromising on quality. Our view, however, is that only independence will allow us to unlock the resources to support a much more ambitious transformation in the care we give to our children in the first years of their lives.

Our priorities for action

Parents in the UK face some of the highest childcare costs in Europe²³⁶. Although these costs are currently lower in Scotland than in England – £94.35 per week compared with £106.52 for two, three and four year olds – parents in Scotland still spend around 27 per cent of household income on childcare, compared to the OECD average of 12 per cent²³⁷.

Independence will give us the opportunity to invest more in the supply of services, rather than subsidising demand. This is the approach adopted in the most successful countries and will ensure resources are spent most effectively, and that childcare becomes more affordable.

In an independent Scotland, this Government would develop a universal system of high quality early learning and childcare for children from the age of one to when they enter school.

We will:

- in our first budget: provide 600 hours of childcare to around half of Scotland's two year olds. Those whose parents receive working tax credit or child tax credit will benefit
- by the end of the first Parliament: ensure that all three and four year olds and vulnerable two year olds will be entitled to 1,140 hours of childcare a year (the same amount of time as children spend in primary school)
- by the end of the second Parliament: ensure that all children from one to school age will be entitled to 1,140 hours of childcare per year

This transformational change to childcare in Scotland will allow parents, in particular women, to choose to work without worrying about the cost of looking after their children. With independence the benefits of their work – in economic growth and tax revenues – will stay in Scotland, contributing to meeting the cost of this childcare provision.



Such a transformational extension in the provision of early learning and childcare will need to be introduced on a phased basis, in a way that is manageable and sustainable. This approach will need to be managed carefully and agreed with delivery partners.

It will be essential to maintain the highest quality provision in order to support child wellbeing and development; alongside providing significant support to families and sustainable employment opportunities. The universal provision will give children an entitlement to a minimum number of hours and, as now, parents will be able to access or purchase additional hours to support working patterns.

In Scotland we already invest significant resources in early learning and childcare, equal to many of our European neighbours. However the outcomes we achieve from this investment do not match those of our most successful neighbours. We therefore plan to undertake a review of our cost structure, based on international examples, to ensure that our future investment in early learning and childcare achieves the best possible outcomes.

Capital investments will be required to build up the estate, both in terms of expansion of the current estate and new build, for stand-alone (nursery or daycare) provision to meet the needs

of children before school, so that our children learn and are nurtured in high quality environments.

Investment will also be required in training and to substantially increase the workforce. The expansion of childcare will provide around 35,000 new jobs. Investment will also cover regulation, inspection and ensure the quality of expanded provision through the functions of Education Scotland, the Care Inspectorate and the Scottish Social Services Council.

Funded early learning and childcare will be part of a high quality universal system, with local authorities delivering and securing provision to ensure that education and quality are protected and improved. Building local authority provision, along with expansion within the third and private sectors, will contribute to the delivery of the highest quality provision.

Supporting Scotland's universities

The choices open to us

There will be major direct gains in an independent Scotland for Scotland's universities. Scotland has been an educational leader since the early part of the 15th century. It is home to some of the world's oldest and most prestigious universities as well as some of the finest specialist vocational and modern institutions.

Scotland's high quality education, research and innovation attracts scholars and researchers from across the globe, who in turn draw on their positive experiences to promote Scotland's academic opportunities and welcoming culture; a British Council survey suggests that 86 per cent of students said they would recommend the Scottish experience to others and 91 per cent said Scotland was a good place to be²³⁸.

The Scottish Government already supports this international exchange by funding student mobility initiatives such as the Outward Mobility Fund, Erasmus and the Fulbright, Commonwealth and Saltire Scholarship schemes, which provide 200 awards of £2,000 to undergraduate and postgraduate students from China, India, and North America. Scotland is an active partner in Erasmus and the Bologna Process – which launched the European Higher Education

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PER HEAD OF
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40,000
INTERNATIONAL
STUDENTS
EACH YEAR**

SOURCE: HIGHER EDUCATION STATISTICS AGENCY

Area in 2010 and supports student mobility across Europe. The Scottish Government also recently launched a pilot project offering funding for up to 250 Scottish domiciled students undertaking their undergraduate degree in the EU. This means for the first time Scottish students studying in Europe will be entitled to the same support with living costs as students studying at home. Independence will provide the opportunity to do even more, and will give Scotland a clear platform to engage in international arenas and a stronger voice in Europe as a full member state.

The Scottish university sector is developing international relationships and promoting Scotland's commitment to educational excellence, for example through collaborative research projects and campuses based abroad. We can make the international promotion of the higher education sector in Scotland, as the educational and research destination of choice, a priority in an independent Scotland, through our own overseas diplomatic and trade network.

Our priorities for action

Free access to higher education

The university sector is one of the main drivers of the Scottish economy and ensuring a supply of trained graduates to contribute to our economy is one of its significant outputs.



In 2011/12, there were 167,365 full-time students in Scottish Higher Education Institutions²³⁹ and Scottish students accepted by our universities rose to a record number this year with 27,990 students accepted to study in 2013/14, an increase in 2 per cent compared with the same stage last year²⁴⁰.

On independence, Scottish domiciled students will continue to have free access to higher education. This guarantee will save Scottish students up to £9,000 a year compared with the cost of studying in England.

Free education for those able to benefit from it is a core part of Scotland's educational tradition and the values that underpin our educational system. One of the major achievements of devolved government in Scotland has been to restore this right to Scottish domiciled undergraduate students.

In contrast, the Westminster Government has pursued an increasingly market-driven approach to higher education, increasing tuition fees for undergraduate students to up to £9,000 a year. This divergence in funding policy between Scotland and England, and resulting disparity in the cost of securing a university education, creates a huge financial incentive for students from England to study in Scotland. In that context, and to ensure Scottish students remain able to study at Scottish higher education institutions, this Government had little

option but to allow Scottish institutions to set their own tuition fees for students from the rest of the UK at a rate no higher than the maximum annual tuition fee rate charged to such students by universities elsewhere in the UK.

This policy has not prevented students from the rest of the UK accessing Scottish universities. In 2012/13, the first year of the new arrangements, 4,800 students from the rest of the UK were accepted through UCAS to study at Scottish universities, an increase of 180 acceptances (4 per cent) on the previous academic year²⁴¹.

Following independence, the Scottish Government proposes to maintain the *status quo* by continuing our current policy of charging fees to students from the rest of the UK to study at Scottish higher education institutions.

This policy, based on residence, recognises the need to maintain the current mix of students from different parts of the UK in Scottish universities in order to ensure that Scottish domiciled students have the opportunity to study in Scotland, and that Scotland secures the graduate skills it requires, while ensuring that the universities also benefit from the contribution of students from the rest of the UK and beyond.

The Government believes that continuing to charge students from other parts of the UK is the best way to achieve this balance, recognising that there is a long history of substantial numbers of students from elsewhere in the UK coming to Scottish universities to take advantage of our high quality education, our common language and the parallel system of educational qualifications that make Scotland an attractive place for them to study. These students would pay substantial fees if studying in their own countries.

We believe that in an independent Scotland it will be possible for an objective justification for this charging regime to be established. On that basis, we consider that retention of tuition fees for students, based on residence in the rest of the UK, is an appropriate and necessary measure to ensure Scottish domiciled students continue to have access to higher education opportunities. If the Westminster Government change their

policy and return to a higher education system where access to university is based on the ability to learn, not the ability to pay, we would also review our charging policy.

Our policy is based on the unique and exceptional position of Scotland in relation to other parts of the UK, on the relative size of the rest of the UK, on the fee differential, on our shared land border and common language, on the qualification structure, on the quality of our university sector and on the high demand for places. We believe that these distinctive characteristics will enable us to justify objectively the continuation of our current policy in a way which is consistent with the principles of free movement across the EU as a whole and which is compatible with EU requirements.

With independence, we will continue to support access to higher education in Scotland for students from elsewhere in the EU in accordance with our support for student mobility across Europe.

Research

Higher education research in Scotland is internationally recognised and respected for its quality and its innovative and collaborative nature. The excellence of our universities and strength of the research base is reflected in Scotland's success in successfully competing for funding within the UK and internationally.

In 2011/12, Scottish universities attracted £905 million²⁴² in research funding from a wide range of sources, including government, business, charities and the EU.

This Government has shown our commitment to university research by increasing investment in research and knowledge exchange activities by 38 per cent since 2007 and supporting global excellence, through investment of £13.8 million in 2013/14 for world-leading research²⁴³.

While funding is important, a strong research base also requires an environment in which research is respected and valued and where government, businesses and our universities work in partnership to grow our economy and improve our society.



This Government has been instrumental in supporting the development of such an environment – advancing novel ideas such as the internationalisation of our research pools and, more recently, the establishment of a network of innovation centres which have the potential to transform the scale and nature of university-business relationships and collaborations.

The best research operates across boundaries, be they disciplinary, institutional or nation state. We recognise and will continue to support collaborations at a range of spatial scales – continuing to participate in existing collaborations that work well while seeking to extend our global reach as an independent country.

The UK operates as a ‘common research area’, ensuring no barriers to collaborative research and access to facilities for researchers throughout the UK. We recognise the benefits – for the academic community, business and research charities – of maintaining long-term stability in research funding and systems that support initiatives of scale and researchers working together across boundaries. It is clearly in the interests of both Scotland and the rest of the UK to maintain a common research area including shared research councils, access to facilities and peer review.



While the rest of the UK will remain an important research partner, we will also extend our global reach. Scotland can already point to notable successes in working across European boundaries with international research centres increasingly attracted to Scotland by the quality of our research base including the Fraunhofer Institute for Applied Photonics – the first Fraunhofer Institute to be located in the UK – and the European Lead Factory, a Europe-wide platform for drug discovery supported by the Innovative Medicines Initiative.

We want to build on these successes. Horizon 2020 – the EU's new programme for research and innovation – in particular offers a significant opportunity for Scotland's universities to build these partnerships and access the considerable research funding available²⁴⁴. We are also following with interest the wider progress of the European Research Area, with its focus on strengthening transnational co-operation and enabling researchers and scientific knowledge to circulate freely.

Our universities are already active players on the world stage extending their world-class teaching offering and forming partnerships and research collaborations across the globe. We are keen to further develop these collaborations. With independence, Scotland and our universities will be in a stronger position, as a sovereign nation state, to promote Scottish higher education overseas with a dedicated overseas

diplomatic and trade network enhancing Scotland's visibility on the international stage.

Research funding

Public funding for university research in Scotland and across the UK is currently delivered by a dual support system comprising:

- a block grant given by the funding council of each country (funded from devolved budgets) and
- competitively awarded grants from the UK-wide Research Councils (funded through the tax base)

These two sources make up the majority of university research income. In 2011/12 Scottish universities received a third of their research income from the Scottish Funding Council and won a further quarter in competitive funding from the Research Councils and National Academies²⁴⁵.

The UK and other funders benefit from the quality of the research undertaken in Scotland, our centres of excellence and infrastructure, and the lack of barriers to research collaboration. After independence this Government will seek to continue the current arrangements for a common research area and funding through established UK Research Councils, as we believe this would benefit both Scotland and the rest of the UK in supporting collaboration.

Scotland already contributes to the funding of the Research Councils through the UK tax system. With independence, we would intend to negotiate with the Westminster Government a fair funding formula for Scotland's contribution based on population share but taking reasonable account of the fact that the amount of research funding received by Scottish institutions from the Research Councils may reflect higher or lower levels of funding.

Providing a direct contribution from the Scottish Government budget in this way would create more transparency and clearer accountability around our investment, enabling Scottish interests to be better and more consistently reflected in the identification of Research Council priorities.

This Government plans to ensure that levels of public investment in university research are sufficient to enable our researchers and universities to remain internationally competitive with current levels of government investment in university research (through the Scottish Funding Council and the Research Councils) at least maintained as part of wider and longer term plans to harness increased funding from the private sector and other sources including Horizon 2020.

An independent Scotland will have the opportunity to internationally enhance the profile of our institutions, and will have new responsibilities for immigration policy, following independence, to attract leading research talent from around the world to study and settle in Scotland.



CHAPTER

6

INTERNATIONAL
RELATIONS AND
DEFENCE

- For the first time, Scotland's national interests will be directly represented on the international stage
- Under our plans, Scotland's foreign, security and defence policies will be grounded in a clear framework of **participating** in rules-based international co-operation to secure shared interests, **protecting** Scotland's people and resources and **promoting** sustainable economic growth
- We will continue to be a member of the EU and will have a seat at the top table to represent Scotland's interests more effectively; we will not be at risk of leaving the EU against the wishes of the Scottish people
- An overseas network of 70 to 90 international offices is planned, built on Scotland's existing capacity and our share of the UK's international assets
- Scotland will recognise and act on its responsibilities, as one of the wealthiest nations on the planet, to international development
- Our defence plans focus on a strong conventional defence footprint in and around Scotland and the removal of nuclear weapons, delivering a £500 million defence and security dividend in 2016/17
- Scotland's security will be guaranteed as a non-nuclear member of NATO, with Scotland contributing excellent conventional capabilities to the alliance

Scotland's international relations

Why we need a new approach

Scotland has always been an outward facing nation, exporting goods, people and ideas around the world and welcoming ideas and people from other countries into our national culture. The current Scottish Government's ambition for an independent Scotland has deep internationalist roots and is based on a firm belief that, as an independent country, we will have a distinct and valuable contribution to make to world affairs. Scotland will be a committed and active participant in the global community of nations.

In the conduct of international affairs no country operates in isolation. The global and regional context creates the conditions and defines the range of choices and options that each state must address. Globalisation enables not only the greater movement of goods, people and ideas, but also the transmission of threats across borders, presenting an ever-shifting set of challenges and opportunities. In particular, demand for resources will increase over the next 20 years putting Scotland, a country with abundant fresh water, major oil and gas supplies and the potential to become a renewable energy powerhouse, at the forefront of global discussions.

An independent Scotland would be no different from any other independent country. Governments plan and act to ensure that their societies can capitalise on opportunities while adapting to face longer-term challenges, and reacting to more acute threats and emergencies, whether natural or man-made. An independent Scotland will perform these functions.

The impact of world events has increasingly important implications for both domestic and foreign policy. An international outlook has never been so necessary. As recent financial events have demonstrated, no economy is isolated from global economic conditions and every nation is increasingly dependent, to a greater or lesser degree, on the flow of international trade and investment and its relationships with others. The development of a coherent set of policies surrounding an independent Scotland's position on foreign affairs, defence and security will therefore be essential.



An independent Scotland would not need to replicate the structure of the Westminster Government or adopt its processes. Scotland's smaller size and specific national interests mean that we can adopt a more focused approach to the design and delivery of foreign and defence policies.

Under our plans, an independent Scotland's foreign, security and defence policies would be grounded in a clear framework:

- participation in rules-based international co-operation to secure shared interests. Scotland will be an active member of global institutions and will be party to fair and reciprocal agreements which respect human rights. Scotland will also be an active participant in international development, in line with the UN Millennium Development Goals and other relevant international agreements. Given Scotland's place in the western world and our history of friendship with a broad range of other nations, our interests will largely coincide with many others in the international community. It is therefore in Scotland's national interest to be a member of multilateral institutions alongside partners and friends with common interests and to co-operate with other nations in pursuit of common concerns and promotion of common values

- protection of Scotland, our people and our resources. This encompasses the role of defence and security capabilities in ensuring the safety of Scotland's territory, citizens, institutions, values and systems against factors which could undermine prosperity, wellbeing and freedom. It also includes the role of the Government's overseas services in protecting Scots abroad
- promotion of sustainable economic growth. Using Scotland's place in the world and our approach to global affairs to develop Scotland's economy is key to ensuring the continued and increased prosperity of the nation. Promotion of the many other positive aspects of Scottish life will also be a significant component of this work ranging from highlighting Scotland's world-class universities, to capitalising on our cultural and environmental profile, building on our already impressive international reputation

Today, Scotland has no formal voice on the international stage. Instead, we are represented by a Westminster Government that has based its actions, too often, on different international priorities. We see that most clearly in matters of war and peace and in our relationship with the EU.

As the government of an independent country, the primary purpose of our international engagement would be the promotion and protection of Scotland's national interests. Currently these can only be a part of the UK's considerations and Westminster's policies will rarely be fully aligned with what is right for Scotland.

Where Scotland's interests coincide with the interests of the rest of the UK, together we will form a more powerful voice for action. When Scotland has a distinct view, we will have a new ability to build alliances and make our case, ensuring that what is right for the people of Scotland is heard.

This independence advantage will be of greatest benefit in our relationship with the EU. This Government sees close engagement with the EU as an opportunity for Scotland, rather than the threat it seems to be for some in the UK. In 40 years of UK and Scottish membership of the EU, Scotland has not

had direct representation at Europe's top table, and the price has been paid by important Scottish industries, including our fishing and agriculture sectors. On these issues, Westminster's approach has too often been to the detriment of Scottish jobs and prosperity.

Distrust and disengagement has dominated Westminster's attitude to the EU for too many years. A new threat is now emerging: the growing possibility that, if we remain part of the UK, a referendum on future British membership of the EU could see Scotland taken out of the EU against the wishes of the people of Scotland, with deeply damaging consequences for our citizens and our economy.

While the UK seeks an ability to project global power, an independent Scotland can choose a different approach. If in government, we will direct our international efforts, first and foremost, into deepening and consolidating relationships with friends and partners, new and old, across the world and, through this, expanding opportunities for people and businesses in Scotland.

Our bywords will be co-operation, development and trade. Our clear priorities will be commerce and partnership, not conflict. Scotland will be a champion for international justice and peace.

Independence will provide a step change for Scotland internationally. We will no longer be in the shadow of Westminster, with its increasingly insular and isolationist elements. Instead we can bring a new and distinct accent and approach to world affairs.

The opportunities available to Scotland

Scotland starts with an enviable reputation and a strong international identity. Our international brand is one of our most important assets as a country.

Even without independent status, Scotland's international brand value already ranks 15th out of 50 nations according to international comparisons published in 2012. Scotland has continually scored highly and is ranked similarly to – and often ahead of – other comparably-sized, high income, democracies

such as Denmark, Finland, Ireland and New Zealand²⁴⁶. This provides an excellent starting point and the move to independence will, in itself, deliver a boost to Scotland's international recognition. We can use this important moment in our history as an opportunity to extend a welcome to the world and an invitation to engage more fully with our newly independent nation.

As an independent country, we can choose to build on these strengths, with an overseas network that works better for Scotland, and an overseas presence at the heart of our strategy to generate new economic opportunities for our nation.

Scotland will be entitled to a fair share of the UK's extensive overseas properties (or a share of their value) allowing us to use existing premises for some overseas posts. For example, the Foreign Office owns or leases almost 5,000 properties overseas²⁴⁷. The estimated value of this estate is around £1.9 billion. Based on a population share (our actual share will be a matter for negotiation) Scotland would be entitled to around £150 million allowing us to establish ourselves quickly and for little initial cost in our priority countries.

We will have the opportunity to design our overseas footprint based not on an imperial past or a desire for global power, but on what works for Scotland in the modern world. That means we can choose to put investment into practical advantages for the people of Scotland rather than the UK's priorities.

We are fortunate to have extensive domestic expertise to provide a firm base to build our international service. The current Department for International Development staff and offices in East Kilbride and Scottish Development International (SDI) staff in Glasgow will provide a strong institutional foundation.

Future Scottish governments will also have the opportunity to access the full range of expertise that has been developed in our universities. For example, Scotland is home to internationally recognised schools and institutes of international relations at the universities of Aberdeen, Edinburgh, Glasgow and St Andrews.

The Scotland we can create

On independence, Scotland will be clearly positioned as a country which observes international law and respects and promotes human rights, democratic values, equality and good governance. We have unique advantages and experience to offer in the field of climate change and energy. We have shown that we can innovate through our approach to international development and aid. We also have world leading expertise to offer in education, health improvement and research. This is an exceptionally strong starting position and shows clearly the contribution an independent Scotland can make internationally.

Scotland therefore has much to offer the world and much to gain from direct participation, in our own name, in the global community.

Independence gives us the ability to advance Scotland's interests in our immediate neighbourhood and through engagement – for example, with our extended family, the Scottish diaspora. Our existing network of Global Scots, made up of leading Scottish business people and experts with an affinity for Scotland, will continue to ensure Scottish companies develop, expand and thrive locally in a competitive international market.

With our immediate neighbours in the British Isles and Northern Europe, independence will create opportunities for co-operation, with future governments able to engage as equals in partnerships that enhance Scotland's position in relation to important policy areas including energy, tourism, security and culture.

In the EU, an independent Scotland will be able to engage early and directly across the range of the Union's activities, ensuring Scottish interests are considered. Scottish governments will be able to promote our priorities in a system based on consensus and alliance building, where Scotland's votes will bring direct influence with the Commission and within the Council of Ministers. Being at the top table will transform Scotland's place in Europe.

Scotland has much to offer international development. With the limited powers of devolution, we have developed a highly successful programme of international development work, supporting projects in our seven priority countries for

development – Malawi, Zambia, Rwanda, Tanzania, India, Pakistan and Sri Lanka. We have also offered humanitarian and other specific support to a small number of other countries.

With independence we will have the ability, and determination, to extend these efforts significantly and can ensure that Scottish development investment complies with international best practice. Our ambition is for Scotland to be a global leader in this field. We can ensure that international development is a central part of our international responsibilities and overseas engagement, underpinning the actions of the Scottish Government at home and abroad.

Scotland's foreign policy and international relations will take place within three overlapping and interacting spheres that will be the cornerstones of Scotland's foreign policy:

- our partnership with the other nations of these islands
- our regional role as an active member of the EU with strong links to the Nordic countries and the Arctic
- the global context: our independent role in international and multilateral organisations, including the UN and NATO

Scotland in the British Isles

The choices open to us

Devolution has shown the strengths of having different political systems in Scotland and the rest of the UK for both countries. Since 1999 many areas of Scottish life, including health, justice and education, have to all intents and purposes been independent.

The Scottish approach to these issues – for example, banning smoking in public places, protecting free education and pushing for a minimum price for alcohol – has challenged the rest of the UK to consider different approaches to address challenges common to both countries. We have also been able to consider the Westminster approach to policy issues, sometimes rejecting those that are not suitable for Scotland or that have no support here. With independence we can change the nature of our co-operation and extend these policy conversations across the

range of government activity. An independent Scotland, with a commitment to social justice, can be a beacon for progress elsewhere on these Isles.

Devolution also illustrates how self-government removes the political tensions that can arise from fundamental differences in voting patterns in Scotland and other parts of the UK. For example, Westminster cannot pursue in Scotland reforms similar to those being carried out in the health service in England, which it could have done before devolution. Decisions on devolved matters require the democratic consent of the Scottish Parliament.

Independence will remove the tensions that exist because of political differences over reserved matters, such as welfare. With independence, Scotland will always get the government it chooses. We will be responsible for all of our own resources and expenditure and we will take and be responsible for the consequences of all decisions about our government, people and society. Those decisions will include appropriate partnerships on these Isles, based on mutual respect and equality of status.

This Scottish Government has a clear vision for the positive relationship that can exist with independence, maintaining important links including our social union. We recognise that some people have an alternative vision, including a different approach to currency or the future status of the monarchy. These are legitimate differences of opinion. Those who hold them will make their case to the people of Scotland on these points and others in the 2016 elections and subsequently. It will be up to the people Scotland to decide the approach that best suits our nation as we move forward.

Our priorities for action

After independence, Scotland will no longer be part of the current parliamentary union with the other nations of the UK which gives Westminster its authority over Scotland. The Acts of Union will be repealed as part of our transition to independence. That means the Scottish Parliament and Scottish Government will have responsibility for the full range of government activity in Scotland.

This change in the political and governmental arrangements for Scotland will not affect the many other ties that bind Scotland to the other nations of the UK. We will continue to be linked to other nations of the UK by five continuing unions: the EU; an ongoing Union of the Crowns; a Sterling Area; and as members of the NATO defence union. And the social union, made up of connections of family, history, culture and language, will have every opportunity to flourish and strengthen.

The history of the UK, the Crown Dependencies and the Commonwealth demonstrates that it is entirely normal for the UK to have varied and changing political relationships whilst retaining strong social ties. Scotland's social union with the other nations of the UK will continue through our shared language, culture and history. It is in the interests of an independent Scotland and the rest of the UK to share a currency and a Common Travel Area, meaning there will be no need for passports, exchanges or border checks.

The independence we propose reflects the realities of an increasingly inter-dependent world and is based upon a firm commitment to partnership and co-operation, not only in these Isles, but also in the EU and other international arrangements.

Independence will recognise the distinct political identities of Scotland and the rest of the UK, and allow us to work together in a more democratic environment with a renewed partnership as close allies and friends. Scotland's future relationship with the UK will be as rich and close as the UK's relationship with Ireland, which was described by the British and Irish governments in 2012 in these terms:

The relationship between our two countries has never been stronger or more settled, as complex or as important as it is today. Our citizens, uniquely linked by geography and history, are connected today as never before through business, politics, culture and sport, travel and technology and, of course, family ties. Our two economies benefit from a flow of people, goods, investment, capital and ideas on a scale that is rare even in this era of global economic integration²⁴⁸.

Independence will allow Scotland and the rest of the UK to work together on matters of common interest, as nations do across the world. This will include current cross-border arrangements on health treatments, combating serious and organised crime and terrorism and administrative arrangements to deliver services to the people of Scotland and the rest of the UK when this makes sense. To suggest otherwise is to believe that the Westminster Government would act against the express interests of people and businesses in the rest of the UK.

Scotland's most important diplomatic relationships will be with the rest of the UK and Ireland, reflecting cultural history and family ties, shared interests in trade, security and common travel. The current Scottish Government plans a substantial diplomatic presence in both London and Dublin and will be active participants in the British-Irish Council, the secretariat of which is already based in Edinburgh.

Scotland and the rest of the UK will have a very close and constructive relationship on many foreign policy issues; it is natural that the values and interests of such close neighbours will often be aligned. The current Scottish Government would intend to support the rest of the UK in maintaining its seat on the UN Security Council. However, there will be issues on which a fundamentally different approach is right for Scotland and only independence gives us the opportunity to take that different path.

Scotland in the European Union

The choices open to us

We believe that Scotland's natural position is as an active participant in the EU, which provides us with unparalleled access to a market of over 500 million people.

We believe that an independent government, acting to protect Scotland's national interests within the EU, can restore some of the ground lost in recent decades when key Scottish industries have not been a priority for Westminster in EU negotiations. The debate over Scotland's relationship with the EU is, however, one that will almost certainly feature in future Scottish election campaigns, with some arguing for a looser form of partnership.

The advantage of independence is that the people of Scotland will have the sole and final say. We will not be taken out of the EU against our wishes as may turn out to be the case if we are not independent.

Within the EU there will be important opportunities for future Scottish governments to determine priorities and maximise the benefits of our membership. These include:

- **Scotland's democratic voice in the EU:** the EU has considerable influence over Scotland's economic and social welfare, from the single market to its common policies on a wide range of social and cultural matters. Independent membership of the EU would ensure that the Scottish Government is able, for the first time, to participate at every level in the EU legislative and policy process. With independence the Scottish Parliament will have an enhanced role in EU issues, holding the Scottish Government to account for positions taken in the EU, and ratifying reforms to the EU treaties
- **prioritising interests and partnerships:** as an independent member state, Scotland will be in a much better position to advance our interests than as part of the UK. In practice the EU seeks consensus – solutions acceptable to all member states. To reach unanimity, all countries whatever their size have an equal say, and can advance their arguments and interests. On the rare occasions in which a consensus cannot be reached, a formal vote is held to settle the common position. Scotland would have our own votes on these occasions, and would align our votes with those member states whose interests best match Scotland's. An independent Scotland can therefore never find itself in a less favourable position than now – when we do not have our own voice – in representing Scotland's interests in the EU. Indeed, smaller EU member states tend to be relatively more successful in negotiations than are the large member states²⁴⁹

- **focused engagement:** the most successful EU member states develop clear strategies and priorities for engagement with the EU. Independence will allow the Scottish Government to focus effectively on our strategic priorities, which include: energy and climate change; marine environment including fisheries; agriculture; research and creativity; and freedom, security and justice. Strategic priorities for an independent Scotland in the EU are likely to include: completing the internal market, especially an EU-wide single market for services; maximising the opportunities for Scottish firms within the priority actions identified by the Commission to stimulate growth; collective action on major societal challenges such as energy security, climate change, healthy and active ageing, sustainable growth, improved public health and reducing societal inequalities; co-operation on Justice and Home Affairs to tackle organised crime and terrorism; and helping Scottish citizens to live and work in other member states, and vice versa
- **participating in the Europe 2020 growth agenda:** an independent Scotland will participate fully in, and benefit from, the range of economic policy initiatives that are being developed and delivered within the framework of the EU's Europe 2020 growth strategy: exploiting digital technologies; bolstering innovation in products, services and business models; enhancing employment prospects for young people; promoting renewable energy and the resource efficiency of economic activity towards a low-carbon economy; promoting industrial competitiveness; and reducing poverty and social exclusion
- **reform of the EU:** an independent Scotland will be able to play a full and constructive role as a member state of the EU, including in reform of the EU itself to bring it closer to its citizens and address their concerns. Considerations for future Scottish governments will include actions to tackle three main issues: distance between the EU institutions and EU citizens; longer-term EU level policies to deliver sustained economic recovery across all member states; and an active role for member states to work together in partnership to deliver key EU objectives

An independent Scottish Government will, for the first time, be able to promote Scottish economic interests directly, protect Scottish citizens and participate on equal terms as all other member states in EU affairs. The only government capable of properly representing Scotland's interests in the EU decision-making process is a government elected by, and directly accountable to, the people of Scotland.

Our priorities for action

The Scottish Government, supported by the overwhelming majority of Members of the Scottish Parliament, believes that membership of the EU is in the best interests of Scotland. It is our policy, therefore, that an independent Scotland continues as a member of the EU.

The major advantages of continued EU membership are:

- access to the EU single market: the world's largest single market, with free movement of goods, services, capital and people. The EU accounted for around 46 per cent of Scotland's international exports in 2011²⁵⁰ and 160,000 citizens from other member states live, work or study here²⁵¹. Membership of the EU single market plays an important role in attracting foreign direct investment to Scotland
- being part of an organisation with a global reach, contributing directly to the collective stance of the EU in world trade negotiations, including bilateral arrangements with third countries, and represented by the collective weight of the EU in any international trade disputes
- a shared social agenda to promote social cohesion across the EU. The economic gains of the EU need to be shared among all Europe's citizens and the EU social agenda should protect the rights and interests of workers and families, without stifling labour markets or undermining economic competitiveness
- the ability to match and retain talent, ensuring businesses continue to attract the best workers from across the EU to Scotland, and Scottish citizens continue to move freely within the EU to work, study and live, gaining experience which they can share on return to Scotland

- a partnership approach to freedom, security and justice: engaging with EU partners against organised crime, terrorism, drug and people trafficking and money laundering
- the opportunity to play a full role in the EU's common foreign and security policy, including co-operation to enhance Europe's defence capability and enhancing Scotland's contribution to international development and environment goals, such as the Millennium Development Goals

With independence, Scotland will take its proper place as a full member within the structures of the EU, giving us the ability to effectively represent Scottish interests within the EU.

Following a vote for independence the Scottish Government will immediately seek discussions with the Westminster Government, with member states and with the institutions of the EU to agree the process whereby a smooth transition to independent EU membership can take place on the day Scotland becomes an independent country.

The discussions will be held during the period in which Scotland remains part of the UK and by extension, part of the EU. This will allow the transition to independent EU membership to proceed without disrupting the continuity of Scotland's current position inside the EU single market or the rights and interests of EU citizens and businesses in Scotland. The Scottish Government believes that ensuring a seamless transition to independent EU membership will be in the best interests of Scotland, all member states and the EU in general, as well as those individual EU citizens and businesses who would be affected by any alternative approach.

The Scottish Government has proposed an 18-month period between the referendum and independence, which we believe is realistic for the terms of Scotland's independent membership of the EU to be agreed and all the necessary processes completed. It also provides sufficient time for the Scottish Government to undertake the necessary legal and institutional preparations for independent EU membership.

The Scottish situation is *sui generis*. There is no specific provision within the EU Treaties for the situation where, by a consensual and lawful constitutional process, the democratically determined majority view in part of the territory of an existing member state is that it should become an independent country.

Article 49 of the Treaty of the European Union provides the legal basis, and defines the procedure, for a conventional enlargement where the candidate country is seeking membership from outside the EU. As Scotland joined the EU in 1973 this is not the starting position from which the Scottish Government will be pursuing independent EU membership. Article 49 does not appear to be the appropriate legal base on which to facilitate Scotland's transition to full EU membership.

The alternative to an Article 49 procedure, and a legal basis that the Scottish Government considers is appropriate to the prospective circumstances, is that Scotland's transition to full membership is secured under the general provisions of Article 48. Article 48 provides for a Treaty amendment to be agreed by common accord on the part of the representatives of the governments of the member states.

Article 48 is therefore a suitable legal route to facilitate the transition process, by allowing the EU Treaties to be amended through ordinary revision procedure before Scotland becomes independent, to enable it to become a member state at the point of independence.

The Scottish Government recognises it will be for the EU member states, meeting under the auspices of the Council, to take forward the most appropriate procedure under which an independent Scotland will become a signatory to the EU Treaties at the point at which it becomes independent, taking into account Scotland's status as an EU jurisdiction of 40 years standing. The European Parliament will also play its role in Scotland's transition.

The Scottish Government will approach EU membership negotiations on the principle of *continuity of effect*: that is, a transition to independent membership that is based on the EU Treaty obligations and provisions that currently apply to

Scotland under our present status as part of the UK, and without disruption to Scotland's current fully integrated standing within the legal, economic, institutional, political and social framework of the EU.

We recognise that specific provisions will need to be included in the EU Treaties as part of the amendment process to ensure the principle of continuity of effect with respect to the terms and conditions of Scotland's independent EU membership, including detailed considerations around current opt-outs, in particular the rebate, Eurozone, Justice and Home Affairs and the Schengen travel area.

Scotland is likely to be a net financial contributor to the EU, subject to negotiation on issues such as the rebate and Scottish take up of EU funding programmes. The EU budget has been agreed until 2020. We see no reason for re-opening current budgetary agreements. Prior to 2020, we consider that the division of the share of the UK rebate would be a matter for negotiation between the Scottish and Westminster Governments.

Our intention to retain Sterling as the currency of an independent Scotland is based on an analysis of the potential impact of the alternative currency options on Scottish people and businesses, including the ease with which they can conduct their business with people and companies across the rest of the UK and beyond. While the Scottish Government recognises the political and economic objectives of the Eurozone, an independent Scotland will not seek, nor will we qualify for, membership of the Eurozone. Scotland's participation in the Sterling Area will not conflict with wider obligations under the EU treaties.

As Article 140 of the Treaty on the Functioning of the European Union (TFEU) makes clear, an EU member state is only permitted to join the Eurozone and adopt the Euro as its currency if the "convergence criteria" have been met. These convergence criteria include:

- inflation rate: the applicant country's inflation rate to be no more than 1.5 percentage points higher than the three lowest inflation member states of the EU

- government finance: the applicant country ratio of annual deficit to GDP to be less than 3 per cent and ratio of gross debt to GDP to be less than 60 per cent
- exchange rate: applicant countries must have been a member of the Exchange Rate Mechanism II (ERM II) for two consecutive years and should not have devalued its currency during that period
- long-term interest rates: the applicant country's nominal long-term interest rate must not be more than two percentage points higher than in the three lowest inflation member states

Under the TFEU a member state that fails any of these four tests will not be permitted to join the Eurozone.

It is important to note that the decision as to when, or if, to include a currency in the ERM II – a pre-condition for Eurozone membership – rests entirely with individual EU member states. The UK (and thus Scotland) is not a member of ERM II. If a national government decides not to join the ERM, as it is entitled to do, then by definition it cannot become eligible for membership of the Eurozone. Sweden is an example of an EU member state in this position – despite being an EU member since 1995, Sweden is not in the ERM II.

This Government will not seek membership of the Schengen area either. Instead, an independent Scotland will remain an integral part of the broader social union of close economic, social and cultural ties across the nations of the UK (including the Isle of Man and the Channel Islands) and Ireland. An essential part of this social union, and one that will be fully maintained with independence, is the free movement of nationals between Scotland and the rest of the UK and Ireland. There are no circumstances in which the Scottish Government would countenance any measure being taken that jeopardized the ability of citizens across the rest of the UK and Ireland to move freely across our borders as they are presently able to do. It is for this reason that following independence Scotland will remain part of the Common Travel Area (CTA), which dates back to the 1920s.

There are absolutely no grounds to believe that the EU would challenge Scotland remaining part of the CTA rather than joining the Schengen area. The EU has spent all of its 50 or so years of existence seeking to remove borders across the EU. The EU Treaties recognise that membership of the Common Travel Area is not compatible with membership of the Schengen area.

The current CTA between the UK and Ireland is based on administrative agreements, rather than binding treaty obligations to which an independent Scotland would succeed. These arrangements are reflected in the UK's immigration laws (and those of the Republic of Ireland) and could be replicated by an independent Scotland in due course. Within the CTA, an independent Scotland will work with the Westminster and Irish Governments to ensure that visa and immigration controls and practice meet certain shared standards. The detail of this would require negotiation but full harmonisation is not required; Ireland and the UK already operate different immigration systems within the Common Travel Area.

More generally, the Scottish Government will seek to retain the current flexibility to opt into new measures on Justice and Home Affairs. An independent Scotland will seek to participate wherever possible in new proposals, which can bring significant benefits to Scotland and the whole of the EU.

International policy

The choices open to us

An independent Scotland can emulate comparable countries with the most effective approach to international affairs: soundly based policies which enable the country to engage seriously and competitively in the world; rigorous priorities for our international focus; and the right external relationships to advance and protect our interests.

Countries of comparable size to Scotland take lead roles in international organisations. Sweden, New Zealand, Switzerland and Finland have all made significant global contributions to security, peace and reconciliation initiatives: New Zealand, for example, played a key role in the Oslo Process that banned cluster bombs and similar weapons. These nations capitalise

on their soft power and build coalitions – normally informal and related to specific issues – to advance their objectives. The effectiveness of a coalition lies less in the sheer numbers involved and more in their ability to develop strong and sound arguments for negotiations.

There are inherent advantages in being a smaller, well-governed, independent state in a rapidly-changing world, with the ability to respond to developments and with the scale to bring national institutions and civic society together quickly if need be. By focusing our diplomatic efforts flexibly on key national priorities, Scotland will not require the same scale of diplomatic service as the UK currently maintains.

Focusing on issues and areas to achieve most impact will be fundamental to the success of Scotland's role on the international stage. In the fields of international development, human rights, climate change and climate justice, Scotland already has a well-established international reputation and a contribution to make that would be enhanced significantly with independence.

Our priorities for action

In an independent Scotland, this government would develop strong bilateral relations and play a full role in the international organisations that set the standards for trade, finance, health, labour relations and other key issues and support an international legal system that is a foundation for Scottish prosperity and security.

The main multilateral organisations such as the UN, WTO and OECD provide frameworks for negotiations which give nations a voice in decisions that are agreed and implemented internationally. International organisations provide strategic, political, economic and societal platforms for smaller countries²⁵².

Bilateral, or state-to-state, arrangements also continue to play their part in shaping a nation's foreign affairs. The UK's bilateral treaties cover a range of important matters such as mutual legal assistance in criminal matters or international conventions on terrorism.

Following a vote for independence Scotland will declare and notify our intention to assume responsibility for the UK's multilateral and bilateral treaties, where it is in Scotland's interest to do so. The Scottish Government expects that other parties to these treaties will welcome Scotland's intention to sign up to, and continue, these obligations. The UK itself has shown how entire treaty issues with newly independent states can be readily and speedily resolved. On the day of independence of the Czech Republic and Slovakia (1 January 1993) the UK wrote to both countries stating that the UK would regard all the bilateral UK – Czechoslovakia treaties as now continuing between the UK and the Czech Republic on the one hand and the UK and Slovakia on the other, with the substantive treaty provisions continuing to operate with both successor states as they had done previously with the predecessor state.

Scotland's membership of the EU will represent a key element of an independent Scotland's international relations and foreign and security policies. The EU provides a forum for discussions and agreement between member states on specific foreign policy questions, and collective action through the development of a Common Foreign and Security Policy, the Common Security and Defence Policy, and the European External Action Service established under the Lisbon Treaty.

This Government plans that Scotland will be an active and committed participant in the Common Foreign and Security Policy. The EU's external policies support stability, promote human rights and democracy, seek to spread prosperity, and support the enforcement of the rule of law and good governance, complementing the foreign policy efforts of individual states. Scotland would benefit from this Europe-wide approach which is broadly aligned with Scotland's values.

Scotland will take its place as a member of the United Nations, working with like-minded countries to promote global issues of importance to the Scottish people, such as human rights and tackling climate change and to advance global development, including support to those countries most in need. The UN continues to form the basis for international co-operation,



committed as it is to maintaining international peace and security, developing friendly relations among nations and promoting social progress, better living standards and human rights.

Scotland will also join NATO, which is the basis of security for the North Atlantic area. NATO membership is in Scotland's interests, and the interests of our neighbours, because it underpins effective conventional defence and security co-operation.

Other key multi-national organisations Scotland will participate in include:

- Council of Europe: best known for the European Court of Human Rights and the European Convention for the Protection of Human Rights and Fundamental Freedoms (ECHR)
- the Organisation for Security and Cooperation in Europe (OSCE)
- the Organisation for Economic Co-operation and Development (OECD)
- World Trade Organisation (WTO)
- the Commonwealth

Each of these organisations has its own procedure for membership. Scotland is already a member of them through the UK, and so already meets the essential requirements. Following a vote for independence, the Scottish Government will initiate steps to ensure Scotland's membership as an independent country as swiftly as possible.

This Government intends that Scotland will also seek a closer relationship with the Nordic Council of Ministers. Scotland has key shared interests with our geographical neighbours in the North Atlantic, such as Iceland and Norway, and a common interest in the Arctic and High North.

We plan to establish a network of overseas offices to represent Scotland's interests internationally, with a particular focus on promoting sustainable economic growth, participating in rules-based international co-operation and protecting Scotland's people and resources.

Scottish embassies will have five core functions:

- **commercial:** to maximise commercial benefits for Scottish businesses, including an expansion of export and investment, and to assess strategic economic opportunities for Scotland and our economy
- **governmental:** to ensure effective engagement with governments and other public institutions within the host state and to promote Scottish interests
- **cultural:** to promote Scottish culture internationally and to engage with members of the Scottish diaspora
- **development:** to ensure Scotland's international development priorities and commitments are being delivered
- **consular:** to provide appropriate support for Scottish citizens, and where relevant other EU citizens, and deal with issues such as visa applications

There will be variation in the range and scale of services available in different locations. Some embassies will fulfil primarily a political or governmental function, for example our permanent representation within the EU, ScotRep.

The most significant investment of resources will be devoted to the development of commercial opportunities for Scotland in key markets overseas. Co-ordinated teams of trade experts and diplomats will represent Scottish interests, opening up markets and assisting Scottish businesses to expand internationally. Our world-class range of cultural activities will also support our activities in promoting Scotland.

The existing SDI network of 27 overseas offices provides a firm foundation for independent Scottish international representation. Over the past five years, SDI has increased Scotland's presence in emerging markets in the Middle East and Asia. This Government plans that the existing SDI network remains following independence, co-locating with the new diplomatic and consular services. Where SDI is currently located in a country but not in its capital city, a Scottish embassy or political mission would be established to supplement and complement the work of the trade offices.

Our planned initial locations will include: London; Beijing; Berlin; Brasilia; Canberra; Delhi; Dublin; Islamabad; Madrid; Moscow; Paris; Pretoria; Seoul; Tokyo; Warsaw; Washington and in view of the close historical and co-operation ties with Malawi, Lilongwe. Additional sites in Asia, the Middle East, South America, Africa and Europe will be identified.

Scotland's network of embassies will be supported in some countries, including the United States, Canada and China, by consulates. We will also appoint members of the Scottish diaspora and prominent local people as honorary consuls to represent Scottish interests in nations where there is no direct Scottish representation.

Our representation in the EU will be built on existing Scottish Government representation in Brussels. We will establish Scottish permanent representation to the UN and other multilateral organisations. By way of comparison, Ireland maintains permanent representation at the Council of Europe (Strasbourg), the OECD and UNESCO (served by the same office in Paris), the OSCE (Vienna), the UN (Geneva and New York), NATO Partnership for Peace (Brussels) and the EU (Brussels). Similar representation is maintained by Denmark and Finland.

Similar countries to Scotland (such as Denmark, Ireland, Finland, Slovakia and New Zealand) have between 50 and 100 overseas missions, and 1,100 to 2,700 staff. The Government estimates the running costs of our initial proposed network of 70 to 90 overseas offices at £90 million to £120 million. This is expected to be below Scotland's population share of the UK's total expenditure on overseas representation in 2016/17 giving

opportunities for savings. Scotland would also be entitled to a fair share of the UK's assets.

Scotland will be willing to co-locate diplomatic missions with other nations, including, and in particular, with the rest of the UK in current premises. This is common practice internationally. The UK has arrangements with Canada under a Memorandum of Understanding and with other nations. Ireland and Denmark also use this approach successfully to provide support to their citizens overseas. For example, the Helsinki Treaty of Co-operation between Denmark, Finland, Iceland, Norway and Sweden provides for consular assistance²⁵³. Other nations also share some consular services, such as Australia and Canada.

In addition, an EU citizen has the right to request the consular or diplomatic protection of any other EU member state when in a non-EU country where his/her own member state is not represented by a permanent consular post or diplomatic mission.

International development

Our priorities for action

With a focus on working in partnership and achieving real and tangible outcomes on the ground, the Scottish Government's international development policy seeks to build upon the historical and contemporary relationships that exist between Scotland and the developing world. Scotland will seek to be a global leader in the field of international development, championing best practice and innovation. Being a global leader in international development is not necessarily just about the size of aid given in absolute monetary terms, but the impact that can be made across government policy. The provision of aid is one tool within international development and an independent Scotland would enshrine a legislative commitment to spending 0.7 per cent of Gross National Income on Official Development Assistance.

Delivering a coherent approach to international development across all Scottish Government policies – crucially trade, environment, defence and finance – would be the key to success and global impact. The Scottish Government therefore has several key propositions that will guide our approach to development. They are:

- **More and better aid:** The Scottish Government would meet from the point of independence, and thereafter maintain, the 0.7 per cent target, with an aspiration towards one per cent over time and ensure Scotland's aid is of high quality, including through appropriate geographical and thematic focus. The Government plans to introduce a legislative basis to ensure adherence to the 0.7 per cent target as a binding, statutory commitment
- **Debt relief:** The Scottish Government will give careful consideration to the question of "unjust" debts; will work to ensure that Scottish export policies do not create new unjust debts; and support moves to establish Scotland as an international centre for debt arbitration
- **Gender equality:** Gender equality and the empowerment of women are Millennium Development Goals in their own right. They are also critical to the delivery of other key development goals including in education and health. An independent Scotland will put gender equality at the heart of our development work
- **Do No Harm – ensuring policy coherence:** As an expression of the values driving our foreign policy, this Government will ensure that other Scottish Government policies do no harm to developing countries, do not undermine international development aims and ideally contribute to international development success – through a rigorous approach to policy coherence for development. A key example of this approach is that our Climate Justice Fund and our International Development Fund are being developed and implemented within and across Government, providing a streamlined approach to both international development and climate change

Scotland's international development programme will be delivered as part of an integrated approach to international relations. However, we will not allow commercial or other considerations, including military considerations, to influence our approach improperly.

Development sections within Scottish overseas offices will ensure effective delivery of programmes supported by the

people of Scotland and will work closely with Scotland's private and third sectors, and our civil society partners, to maximise the impact of both governmental and non-governmental efforts.

The Scottish Government intends under independence to work with the UK's Department for International Development (DFID) to ensure that there is a smooth transition phase for programmes on the ground in developing countries. There will be continued support, where appropriate, to those DFID programmes which span the independence period to avoid any sudden disruption to those programmes and their recipients. International development is just one of the areas where future Scottish and Westminster governments can choose to work together to complement each other's activity. Scotland is also likely to be a significant donor to multilateral organisations reflecting similar priorities as the UK in this area.

Defence

Why we need a new approach

Improving the way defence is delivered in and for Scotland is one of the most pressing reasons for independence.

For decades we have been part of a Westminster system that has sought to project global power, giving Britain the capacity to engage in overseas military interventions and to deploy nuclear weapons.

Scotland has been home to one of the largest concentrations of nuclear weapons anywhere in the world, despite consistent and clear opposition from across civic Scotland, our churches, trade unions and a clear majority of our elected politicians²⁵⁴. Billions of pounds have been wasted to date on weapons that must never be used and, unless we act now, we risk wasting a further £100 billion, over its lifetime, on a new nuclear weapons system. Trident is an affront to basic decency with its indiscriminate and inhumane destructive power.

Westminster's commitment to nuclear weapons leaves other aspects of our defence weakened. Costs for the successor to Trident are to be met from within the defence budget, taking money from conventional equipment and levels of service

personnel. The Royal Navy will have two new aircraft carriers years before it has the aircraft to put on them. Cost overruns are endemic and major projects have been significantly delayed. Scotland can do better.

In Scotland, the adverse consequences of Westminster's defence policies have been felt in many ways.

- the latest figure for defence spending in Scotland (2007/08)²⁵⁵ is £1.4 billion less than Scotland's current contribution of £3.3 billion to UK defence and security budgets²⁵⁶. With independence Scotland's defence spending will not only provide Scotland's security, but will increase economic benefits and employment on which Scotland currently misses out
- in March 2013 the Westminster Government announced that only 600 more Armed Forces personnel would be based in Scotland by 2020²⁵⁷ – a fraction of the significant increase promised by the MOD in July 2011²⁵⁸
- the RAF base at Leuchars will cease flying operations in autumn 2014. Craigiehall, outside Edinburgh, the former Army Headquarters in Scotland, has been earmarked for disposal, and Forthside in Stirling and Redford Barracks in Edinburgh will at least partially close
- Scotland is a maritime nation and yet the UK has no maritime patrol aircraft and no major surface ships are based in Scotland. There is greater risk to safety and security in Scotland's airspace and waters as a result
- Ministry of Defence employment – civilian and service – in Scotland has fallen from 24,680 in 2000 to 15,340 in 2013, a proportionately larger fall than across the UK as a whole. Consequently, Scotland's share of UK-based Ministry of Defence personnel has fallen from 9.2 per cent to 7.5 per cent over this period²⁵⁹

The Westminster Government suggests that we need Britain for our defence, but the reality is very different. Scotland has been failed by decades of poor decisions. So we now have weapons

that we do not need – like Trident – and lack assets that we do need – like maritime patrol aircraft.

An independent Scotland can follow the path of similar independent nations and make our own contribution to collective defence arrangements which, as part of NATO, far surpass any security that is offered by Britain alone.

The opportunities available to Scotland

An independent Scotland will have the opportunity to decide our own defence priorities to ensure our security, in partnership with our allies and within the wider international community. It will be the people of Scotland, through our Parliament, who will decide whether or not our young men and women are sent to war and we can choose, through our written constitution, to put in place safeguards to ensure that Scottish forces will only ever participate in military activity that is internationally recognised as lawful and in accordance with the principles of the UN Charter.

The flexibility that being a small state can bring will mean that Scotland can take an integrated approach to national security, with our defence capabilities playing a role alongside other areas of government.

We have in existing naval, army and air force bases the underpinning infrastructure we need to meet our defence needs and regional defence responsibilities. We also have sufficient expertise, built up over years of service and Scotland's proud military tradition, with Scots who have served at all levels of Britain's armed forces and at senior levels in the Ministry of Defence and NATO.

We will inherit a share of existing UK defence assets, giving us most of the equipment we need to establish Scotland's defence forces in the immediate post-independence period. The division of assets and liabilities will of course need to be negotiated. However, by way of indication, in 2007 the Ministry of Defence estimated the total value of its assets and investments²⁶⁰ at just under £93 billion. A Scottish share based on population would be around £7.8 billion.

By making different choices on nuclear weapons and global reach we can save a substantial proportion of Scotland's

current defence contribution to the UK, while still having levels of defence spending that allow us to deliver the capabilities we need. Within this budget allocation will be significant investment in procurement, which can support key Scottish industries including the shipbuilding industry.

A new and more appropriate level of defence spending will also free up valuable resources for investment in other national priorities. It will give Scotland an independence defence dividend that can be used to improve our approach in areas of social policy.

The Scotland we can create

With independence, therefore, we can create the most appropriate domestic defence for Scotland, one that sees us fulfilling both our international responsibilities and the commitment we have to the security and safety of people living in Scotland. We can create an approach to defence that positions us as partners for peace in the wider world.

With independence, future governments can choose to equip Scotland with specific, specialist capabilities, allowing us to develop particular expertise that adds value for our allies: for example allowing Scotland to take on a role in internationally sanctioned peace-keeping or peace-making operations.

While the UK approach has left significant gaps in our defence capabilities, in particular in relation to maritime protection and reconnaissance, with independence we can, once again, make an effective contribution to regional defence in recognition of our important strategic position in the North Atlantic.

The choices open to us

Defence capability will be an important part of the mix of responses available to an independent Scotland in addressing opportunities, threat and risks. At the point of independence the Scottish Government proposes that there will be core Scottish defence capabilities to contribute to this task and fully protect Scotland and our people. Priorities for the further development of Scotland's defence and security capabilities should be refined following the strategic review of security undertaken by the first elected parliament and government of an independent Scotland.

The Scottish Government believes that these key roles for Scotland defence forces, working closely with partners and other parts of government, should be considered in depth in the security review:

- securing Scotland's borders, land, airspace and sea, deterring attacks and protecting our citizens and assets from threat
- protecting Scotland's national interests and economic wellbeing, alongside the key values and underlying principles that support Scottish society and our way of life. This task would include supporting other parts of government, for example in natural disasters or other emergencies
- contributing to the protection and promotion of human rights, the rule of law, democratic values, international peace and security, building on Scotland's national interests by being a progressive voice in the world

Our priorities for action

Scotland's defence and security policy will be a key part of wider international policy, protecting Scotland's interests through a strategic approach to national security, and providing military capability to defend our national interest. We will take our own decisions about involvement in military action, while continuing to make a full contribution to our own defence and that of our allies.

Scotland will be part of collective defence arrangements, giving the people of Scotland the same security guarantees that they enjoy today. Within this framework of mutual defence we will be able to deliver a more responsible defence posture better suited to Scotland's strategic needs and interests. Improved parliamentary oversight of defence and long-term, consensus-based arrangements for strategic planning can mean that spending is based on sound decisions. Our approach will mean substantial savings on defence spending, continued investment in Scotland's defence industries and the basing of Scottish service personnel closer to their families and homes.

The current Scottish Government has identified five defence priorities for an independent Scotland:

- maintaining the commitment to a budget for defence and security in an independent Scotland of £2.5 billion
- securing the speediest safe withdrawal of nuclear weapons from Scotland
- building a focus on maritime capabilities, such as air and sea-based patrol, and specialist forces able to operate around our coasts, protecting Scotland's maritime assets and contributing to collective security in the North Atlantic
- progressively building to a total of 15,000 regular and 5,000 reserve personnel over the 10 years following independence
- reconfiguring the defence estate inherited at the point of independence to meet Scotland's needs, including the transition of Faslane to a conventional naval base and joint headquarters of Scottish defence forces

This Scottish Government envisages a phased approach to reaching the level of Scottish defence forces set out above. This will be achieved through a staged process involving 7,500 regular and 2,000 reserve personnel at the point of independence, rising to around 10,000 regulars and 3,500 reserves by the end of the five years following independence, subject to consideration in the strategic defence review. The final force levels will provide capacity for Scotland to make enhanced contributions to international partnership operations.

The units of the Scottish Army will carry on the names, identities and traditions of Scotland's regiments, including those lost in the defence reorganisation of 2006.

This level of defence capability will require the continued operation of all current major military bases in Scotland. In particular Faslane will become the main operating base for the Scottish Navy, and the headquarters for the Scottish defence forces as a whole.

Following a vote for independence, the Scottish Government will immediately start to put in place defence capabilities to meet Scotland's needs on independence, and to provide the foundations to develop these capabilities in line with the outcome of the strategic review. The priorities in the period between the referendum and independence day, will include:

- establishing a military staff to advise the Scottish Government in the transition and the development of appropriate defence capabilities
- putting in place joint arrangements with the Westminster Government to identify and transfer units and personnel wishing to serve in Scottish defence forces
- identifying, in negotiation with the rest of the UK, a first tranche of defence assets and bases to transfer to Scottish defence forces, pending wider agreement

Effective joint agreements will be of particular importance to both Scotland and the rest of the UK in the transitional period following independence. It will be in the interests of both countries to ensure arrangements are taken forward in an orderly and secure manner. This approach will retain for the transitional period some integrated services for the security of Scotland and the rest of the UK.

By independence day, the Scottish Government will have in place a core set of military capabilities from which it will then build. That will include a number of military units (air, land and sea-based) under Scottish Government control.

The process of transition will be based on negotiated agreement between the Scottish Government and the Westminster Government. The Scottish Government expects that both governments will act responsibly and that over time the number of personnel from the rest of the UK based in Scotland will decline while Scottish personnel numbers rise.

Scotland's defence forces

The Scottish Government has carried out an initial assessment of forces levels in the years following independence²⁶¹.

Defence capabilities at the point of independence

Maritime forces

One naval squadron to secure Scotland's maritime interests and Exclusive Economic Zone (EEZ) and contribute to joint capability with partners in Scotland's geographical neighbourhood, consisting of:

- two frigates from the Royal Navy's current fleet
- a command platform for naval operations and development of specialist marine capabilities (from the Royal Navy's current fleet, following adaptation)
- four mine counter measure vessels from the Royal Navy's current fleet
- two offshore patrol vessels (OPVs) to provide security for the 200 nautical mile Exclusive Economic Zone (EEZ). However, as the Royal Navy only has four OPVs currently²⁶², a longer lead time for procurement might be necessary
- four to six patrol boats from the Royal Navy's current fleet, capable of operating in coastal waters, providing fleet protection and also contributing to securing borders
- auxiliary support ships (providing support to vessels on operations), which could be secured on a shared basis initially with the rest of the UK

These arrangements will require around 2,000 regular and at least 200 reserve personnel.

Land forces

An army HQ function and an all-arms brigade, with three infantry/marine units, equipped initially from a negotiated share of current UK assets, and supported by:

- a deployable Brigade HQ
- two light armoured reconnaissance units
- two light artillery units
- one engineer unit deploying a range of equipment for bridging, mine clearance and engineering functions
- one aviation unit operating six helicopters for reconnaissance and liaison
- two communication units
- one transport unit
- one logistics unit
- one medical unit

Special forces, explosives and ordnance disposal teams will bring the total to around 3,500 regular and at least 1,200 reserve personnel.

Air forces

Key elements of air forces in place at independence, equipped initially from a negotiated share of current UK assets, will secure core tasks, principally the ability to police Scotland's airspace, within NATO.

- an Air Force HQ function (with staff embedded within NATO structures)
- Scotland will remain part of NATO's integrated Air Command and Control (AC2) system, initially through agreement with allies to maintain the current arrangements while Scotland establishes and develops our own AC2 personnel and facility within Scotland within five years of independence
- a Quick Reaction Alert (QRA) squadron incorporating a minimum of 12 Typhoon jets based at Lossiemouth

- a tactical air transport squadron, including around six Hercules C130J aircraft, and a helicopter squadron
- flight training through joint arrangements with allies

In total this would require around 2,000 regular personnel and around 300 reserve personnel.

Civilian support

In addition to military capability following a vote for independence, the Scottish Government will establish core government capacity for defence functions, such as strategic planning, oversight and policy functions for defence and security. Given the importance of ongoing shared security interests between Scotland and the rest of the UK, we will ensure a partnership approach during the period of transition to independence.

Following a vote for independence, priorities for the Scottish Government capacity dealing with defence will be planning for the strategic security review to be carried out by the first Scottish Parliament following independence, based on the most recent UK National Risk Assessment and input from Scottish experts and academic institutions.

Defence capabilities five years after independence

Further development of Scotland's defence and security capabilities will be decided following the strategic review of security undertaken by the first elected Parliament and government of an independent Scotland.

However the current Scottish Government believes that the following elements should be prioritised for delivery as early as possible in the first five years following independence, building on the forces in place at independence:

Maritime forces

A second naval squadron to contribute to NATO and other operations outside home waters, incorporating the naval command platform, and a further two frigates with tanker and support ship capacity.

Overall the model would involve around 2,400 regular and at least 270 reserve personnel. While most of the personnel would be required by the five year point, this model envisages increases continuing through the first ten years following independence (due to procurement of new Scottish naval vessels).

Land forces

Developing the All Arms brigade's capabilities to include:

- increases to strengths of the three infantry battalions (to a combined total of 1,500 regular and 300 reserve personnel)
- upgrading of the light armour, artillery, aviation and medical units
- increasing the strength of the special forces unit
- increasing the number of personnel deployed to conflict prevention, disarmament and defence diplomacy

Overall, this would entail an increase in numbers, over the years following independence, to around 4,700 regular and at least 1,110 reserve personnel.

Air forces

Increasing the fast jet fleet of Typhoons potentially up to 16 aircraft which would enable Scotland to contribute to alliance operations overseas.

Increasing the Scottish contribution to capabilities for air defence, as part of an integrated system within NATO.

At present, the UK has no maritime patrol aircraft. During this period options for procurement will be taken forward and airborne maritime patrol capability delivered. A detailed specification of requirement will be developed as a priority and final numbers of aircraft required will depend on this. However, the numbers maintained by comparable nations suggests a potential fleet of four.

Development across all of those areas would entail an overall increase in numbers to around 3,250 regular and at least 300 reserve personnel.

Defence capabilities after 10 years

This Government plans that, 10 years after independence, Scotland will have a total of 15,000 regular and 5,000 reserve personnel across land, air and maritime forces.

Service personnel and veterans

The Scottish Government respects the service of current personnel. We will ensure that all current service personnel will be eligible for a post in the Scottish defence forces, though they will not need to take it up.

All service personnel will have the reassurance that they will not face compulsory redundancy during their service contract. This Scottish Government would examine how the terms and conditions of service personnel could be improved, for example through the official representation of service personnel.

Where whole or part of units are identified for transfer to Scottish defence forces, the Scottish Government will ensure that all current UK service personnel within those units can remain with them for at least a transitional period, where they wish to do so. A similar approach will be followed for reserve personnel and the important role of cadet forces will also be maintained.

The aim will be a phased and responsible approach to the position of those currently serving in the UK armed forces who might wish to transfer to Scottish defence forces. Some may transfer immediately, while others would continue in their current role. It is our intention that terms and conditions remain harmonised through this period. Any sensible approach would recognise that, at the end of that process, it is highly likely that citizens from the rest of the UK, Ireland and from other Commonwealth countries would be serving in an independent Scotland's defence forces. Though it would ultimately be a decision for the rest of the UK, we also expect that Scottish citizens will continue to serve in UK forces if they wish to, as citizens of Ireland and the Commonwealth do.

Reserve personnel make a valuable contribution to defence capability and will do so in an independent Scotland. Our proposals include a baseline requirement for around 1,700 reserve personnel at the point of independence. However as there are currently an estimated 2,200 trained reserve personnel in Scotland²⁶³, it would be both feasible and desirable to increase numbers beyond the baseline that requirement

suggests, in order to build flexibility and enhance capability. In the longer term the Government envisages the reserve force building to 5,000 personnel after 10 years.

Scotland and the rest of the UK will also continue to owe the same debt of gratitude to veterans who have served in the past. The Scottish Government will build on our existing strong record in this area to ensure that veterans continue to access the services and benefits that they are entitled to. This will include full service pensions and pension entitlement, following agreement with the Westminster Government.

Defence infrastructure

The transitional period will also include continued arrangements for the use of defence infrastructure in Scotland by UK forces and vice versa. The Scottish Government will protect the bases inherited at the point of independence and we expect that, over time, the main military facilities in Scotland will be used by Scottish defence forces. This transitional period would allow for appropriate planning, including for the continuation of shared basing into the longer term where that was in the best interests of both Scotland and the rest of the UK.

While details will be negotiated with the rest of the UK, the Scottish Government currently envisages that:

- current and envisaged major army facilities will continue to be needed at Kinloss, Leuchars, Glencorse, Fort George, Dreghorn and the elements of Redford to be retained by the UK Ministry of Defence
- in addition there will be a need to consider where additional air assets, not currently located in Scotland, might operate from. Given the retention of the runway at Leuchars, the Scottish Government would envisage air operations being reinstated there, alongside an army presence
- Faslane will be retained as the main naval base for an independent Scotland. In addition it will be the location for the joint headquarters of the Scottish defence forces. Options will be considered for re-instating Rosyth as a supporting naval base, alongside its current industrial uses

- given that the transfer of Typhoons from Leuchars will have been largely completed before the referendum, Lossiemouth will continue to be a main operating base for fast jet aircraft and Scotland's air policing capability. The Scottish Government will negotiate with the Westminster Government to establish the joint facilities it would be in the interests of both countries to maintain there

The transition of Faslane from a submarine base to Scotland's main naval base and joint force headquarters will be managed gradually: personnel and equipment will be brought into the Scottish defence forces and infrastructure will be developed, while the personnel and equipment remaining within the Royal Navy are relocated by the Ministry of Defence.

The Scottish Government intends the transition to be complete within ten years²⁶⁴. The transitional arrangements will support both the day to day operations and the workforce levels at the base. We will retain the capacity for shared arrangements with the rest of the UK and other allies, recognising Faslane's excellent deep water facilities and its geographical position.

There are currently 6,700 military and civilian jobs at HMNB Clyde²⁶⁵. Through its role as a main conventional naval base and Joint Forces HQ, this Scottish Government expects that, at the conclusion of transitional arrangements, the number of Scottish military personnel at Faslane will approximately match military numbers there currently. Those military personnel will be supported by a significant number of civilian personnel. During the transitional period large numbers of personnel from the rest of the UK will also be based there. In addition, work to reconfigure Faslane as a conventional naval base is expected to involve major construction activity, and related jobs, in the area.

There are a range of other defence facilities around Scotland used by NATO and the UK, such as the weapon ranges in the Hebrides and the training area around Cape Wrath. The Scottish Government expects these to continue to be used after independence, following discussions with the rest of the UK and allies.

The negotiation of shared arrangements as a transitional measure would not preclude such arrangements being carried forward into the longer term, where both the rest of the UK and Scotland considered them the most effective means of delivering defence capabilities.

Negotiations on the maintenance of shared capabilities would not include nuclear weapons. This Scottish Government would make early agreement on the speediest safe removal of nuclear weapons a priority. This would be with a view to the removal of Trident within the first term of the Scottish Parliament following independence.

The detailed process and timetable for removal would be a priority for negotiation between the Scottish Government and the Westminster Government. However we have noted the work undertaken by the Scottish Campaign for Nuclear Disarmament (CND), which suggests that Trident could be dismantled within two years²⁶⁶.

The Scottish Government plans to explore the potential for Scotland's defence industry capabilities to diversify into other activities. For example, in a report in 2007 the STUC and CND noted that "many of the skills currently used to maintain Trident would be directly relevant to renewables²⁶⁷" and the report highlighted the advantages the Lower Clyde area offers such activity. The Scottish Government's work will therefore focus on the potential offered by energy, particularly marine renewables, although it will also examine other aspects of defence diversification, for example those relevant to the shipbuilding industry. The research and development capacity of Scotland's defence industries offers the opportunity to boost Scotland's business R&D. Other comparable countries have much higher levels of R&D activity (a key driver of economic growth). Finland, for example, uses an innovation agency as its primary tool for R&D activity. Defence diversification could play an important role in Scotland's future industrial strategy.

Scotland's defence industries

Scotland's defence industries are an important source of employment and provide high quality defence products to

the UK armed forces and more widely. If in government in an independent Scotland the Scottish Government will work with defence industries to support their continued growth and to meet Scotland's own defence needs.

Scotland will ensure our defence budget is utilised to:

- support the procurement of equipment and services in Scotland, where consistent with European procurement rules
- support defence-related R&D, innovation and design
- support small and medium enterprises in particular to expand their marketing effort internationally
- develop a clear role for each government department and agency in areas such as licensing, accreditation and dual-use

This Scottish Government expects that the proportion of the budget allocated for procurement of single use military equipment²⁶⁸ will be at least equivalent to that currently allocated by the Westminster Government (14 per cent in 2012/13). In the first term of the independent Scottish Parliament we expect personnel numbers in Scottish defence forces to be steadily increasing. Therefore during this period personnel costs would initially be lower and it would be possible to boost the proportion of the budget allocated to procurement over the first part of that period.

The Scottish Government regards support for our shipbuilding industry as a priority given our focus on maritime defence capabilities. Whilst keeping within EU procurement requirements, the Scottish Government will protect the future of Scotland's shipyards and maintain capabilities important to our long-term interests.

This Scottish Government will take forward the procurement of four new frigates, to be built on the Clyde, preferably through joint procurement with the rest of the UK. Two of these will be ordered in the first parliamentary term of independence and, when built, will bring the number of frigates in the Scottish

navy to four (the two new frigates as well as the inherited Type 23s). The Scottish Government believes that is the appropriate number of frigates in the longer term, and will order the further two frigates in time to replace the Type 23s when they are retired from service.

Recent Westminster decisions have demonstrated the importance of Scotland's shipbuilding industry to the Royal Navy. The Ministry of Defence has also shown that it is keen to develop opportunities for joint procurement and there are strong reasons why both the Scottish and Westminster Governments would want to explore the potential for joint procurement of future naval vessels.

We also plan to prioritise procurement within the first five years of maritime patrol aircraft, based on a detailed specification of need (the numbers maintained by comparable nations suggests a potential fleet of four). Depending on negotiation with the rest of the UK on division of assets, further procurement needs will have to be addressed, including for offshore patrol vessels.

In an independent Scotland, we will, where appropriate, work with the Scottish defence industry to deliver identified Scottish defence capability requirements. Scotland would seek to work in partnership, build the necessary alliances and align our defence requirements with the collective needs and priorities of NATO allies, including the rest of the UK.

Joint procurement is in the interests of Scotland and the rest of the UK²⁶⁹, preserving the strengths of defence industries around the whole of the UK. Joint orders would maintain the expected numbers of jobs in the defence industries sector, including shipbuilding, and support companies as they seek to expand their business internationally.

The EU Defence Procurement Directive aims to open up the defence equipment market to competition and to contribute towards the development of an efficient European market for defence equipment. Whilst EU law allows an exemption from the requirement for open competition in certain, very limited, circumstances related to national security, it should be the exception not the norm.

Outwith Europe, Scotland will also build bilateral defence and security relationships with a range of key partners and on a range of security issues. These countries will also provide potential markets for Scotland's defence industries.

International partnerships

As the government of an independent Scotland we will be committed to working in partnership and through alliances. Scotland will be a part of key defence organisations, such as NATO, OSCE and the EU. The defence and security relationship with the rest of the UK will be fundamentally important, both for the rest of the UK and for Scotland.

Scotland will also explore flexible, shared arrangements for delivery of defence and security with our neighbours and partners. Again, the rest of the UK would be an essential, but not exclusive, element in this.

Following a Yes vote in 2014, the Scottish Government will notify NATO of our intention to join the alliance and will negotiate our transition from being a NATO member as part of the UK to becoming an independent member of the alliance.

The basic premise of NATO is that all members must make an active commitment to the alliance and Scotland would recognise and play our full part in building collective security and capability. Scotland's geographical position and strong national interest in being able to robustly monitor and protect our maritime environment will be a key part in the contribution we make to the alliance. Scotland also provides an important range of training areas and other facilities that are actively used by NATO members.

Membership of NATO will be in the interests of Scotland, the rest of the UK and other NATO members. Scotland occupies an important place in regional security arrangements that NATO members enjoy. While recognising that Scotland's membership requires discussion and agreement by NATO members, it will be in the interests of Scotland and other members of the alliance to secure an independent Scotland's membership in the period between the referendum and independence. Most

importantly for Scotland and our neighbours, failure to reach an agreement would leave a gap in existing NATO security arrangements in north west Europe.

Scotland would take its place as one of the many non-nuclear members of NATO. The Scottish Government is committed to securing the complete withdrawal of Trident from an independent Scotland as quickly as can be both safely and responsibly achieved.

Constitutional guarantees

Only independence will enable Scotland to play a full role working within and alongside the international community in creating the conditions for nuclear disarmament. The development of a written constitution for Scotland would also provide the opportunity to include a constitutional ban on nuclear weapons being based in Scotland.

Many countries around the world place constitutional controls on the use of military power. Our view is that Scotland's constitution should include a 'triple lock' on military deployments, based on the principles that military action would need to be:

- in accordance with the principles of the UN Charter
- properly agreed by the Scottish Government
- approved by the Scottish Parliament

This will not conflict with the right to act immediately and legitimately in self-defence in extraordinary circumstances, such as when attacked, as recognised in the UN Charter. This position is consistent with NATO's Article 5 commitment to collective defence.



CHAPTER
7

JUSTICE,
SECURITY AND
HOME AFFAIRS

- With independence, Scotland will have the full range of powers needed to keep our people and communities safe, to further reduce crime, to take a coherent approach to tackling crime and to create stronger and cohesive communities
- A security and intelligence agency will ensure the safety and security of Scotland's citizens, the first responsibility of any government, within strict legal controls determined by the Scottish Parliament
- We plan a controlled points-based system to support the migration of skilled workers for the benefit of Scotland's economy
- An independent Scotland will have an inclusive approach to citizenship and a humane approach to asylum seekers and refugees

Why we need a new approach

Key powers needed to make our communities safer, stronger and more secure are currently controlled by Westminster, including decisions about drugs, firearms, gambling, road safety and the proceeds of drug trafficking. To tackle the underlying causes of inequality in our society, we need to take decisions about welfare benefits, incentives to employment and overall levels of public expenditure. This will ensure that our distinctive Scottish approach to justice, in its broadest sense, can be fully realised.

Whilst the Scottish Government and Parliament are making a positive difference with the powers we have, there is still much work to be done to ensure the justice system works effectively, particularly for those communities most blighted by crime.

A key element of the Scottish Government's approach to tackling crime has been to use funds seized from criminals to invest in our communities and provide positive opportunities for young people. The Cashback for Communities programme, established in 2007, has invested over £50 million recovered under the Proceeds of Crime Act (2002) to fund activities and facilities in communities across Scotland²⁷⁰. However, the total amount that Scotland is able to retain and reinvest from the proceeds of crime is capped by the Westminster Government at £30 million a year. Westminster has refused requests for the cap to be removed to allow more resources seized from criminals in Scotland to be invested in our communities.

Whilst the Scotland Act 2012 provided Scotland with some limited additional powers, for example to set a different drink driving limit from the rest of the UK and to license air weapons, Westminster has refused to devolve further powers necessary to help make our roads and communities safer.

With decisions on immigration taken in Scotland we can adopt an approach that works better for Scotland's economy and society. In particular, we can reverse some of the decisions taken by Westminster which are damaging the ability of Scotland's colleges and universities to attract high-quality international students. It is also difficult to conceive of a Scottish

government that would ever adopt the crude “go home” approach tried by the current Westminster Government.

The opportunities available to Scotland

The existing independence of Scotland’s legal and justice systems ensures a strong starting point for our independent country. Successive Scottish governments have legislated to ensure that we keep up-to-date with the requirements of a modern justice system. These reforms demonstrate the value of taking decisions here in Scotland, as well as highlighting the barriers that exist as part of the current constitutional arrangements.

With devolution, Scotland has benefited from taking decisions for itself across a wide range of justice issues. The Scottish Government has introduced a series of improvements to modernise our justice system and ensure that it can meet the needs of our citizens in the 21st century. Through our focus on prevention, crime in Scotland is falling and people feel safer in their communities²⁷¹. Recorded crime is at a 39-year low²⁷² with homicides at their lowest level since 1976²⁷³ and the crime clear-up rate is the highest in over 35 years²⁷⁴.

Despite budget cuts imposed by Westminster, the Scottish Government has continued to invest in front-line policing. The establishment of Police Scotland has ensured that local policing is maintained, but with access to specialist expertise and equipment whenever necessary. Scotland is maintaining police numbers at over 1,000 extra officers compared with 2007²⁷⁵ and the Scottish Government has rejected other changes to policing proposed by Westminster which would, for example, allow people without relevant policing experience direct entry to senior police roles.

Scotland has led the way in tackling crime and in promoting preventative approaches. Scotland’s Serious and Organised Crime Strategy²⁷⁶ and new Scottish Crime Campus at Gartcosh will ensure that agencies work together to share intelligence and deal effectively with organised criminals. However, some measures needed to deal with organised crime, such as the control of firearms and decisions on the proceeds of drug trafficking, are currently reserved to Westminster.

With independence, we can ensure that security and intelligence functions are focused on defending our democratic values and securing our fundamental rights and freedoms. These functions will be carried out under democratic control in Scotland. The right balance must be struck between the rights enshrined in the new Scottish written constitution, including key human rights such as the right to privacy and to freedom of expression, and the need to keep us safe and secure from serious threats such as terrorism. Our security and intelligence agency will be subject to legislation which protects human rights and sets out clearly the powers and responsibilities of, and controls over, the agency. These will be in line with international standards, including ensuring that there is expert and democratic control of the agency²⁷⁷.

The Scotland we can create

Justice is one of the fundamental responsibilities of government: to provide safety, security and fairness to the citizens of the country. Our justice system provides the foundation for delivering the kind of nation Scotland should be – a thriving and successful European country, reflecting shared values of fairness and opportunity, and promoting prosperity and social cohesion. Our existing responsibilities combined with new powers, will enable us to build a Scotland that is more prosperous, communities that are safer and a society that is more comfortable with itself.

A primary function of government is to ensure the security of its citizens, and to protect them, their property and way of life against threats. An independent Scotland will have national security arrangements that reflect Scotland's specific needs and values, recognising the risks and threats we face, based on a full review of security requirements and on a regular assessment of threats.

An independent Scotland will also be responsible for immigration and citizenship, with the opportunity to develop an immigration policy that sensibly meets Scotland's population and economic needs, while enriching our society.