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PART

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PART BEGINS

11 February 04

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5 MAY 05

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Labour Administration

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PART

CLOSED

DATE CLOSED	5 MAY 2005
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Series : SCOTLAND

File Title : POLICY

Part : 5

Date	From	To	Subject	Class	Secret
12/02/2004	HO	odpm	Fresh Talent Initiative - Revised deadline for Responses	U	
12/02/2004	AG/Scotland	PM	Thanks for finding time to discuss matters	U	
12/02/2004	Ch.Staff	AG/Scotland	To Dr Lynda Clarke - Thankyou for letter	U	
13/02/2004	AG/Scotland	Ch.Staff	thanks for letter	U	
16/02/2004	ss/dti	DPM	Scotlands Fresh Talent Initiative	U	
19/02/2004	FCS	HO	Scottish Executive's " Fresh Talent" Initiative	U	
19/02/2004	FCS	HS	Fresh Talent	C	
25/02/2004	Events	PM	Visit to Inverness	R	
28/02/2004	SS/DCA	LP	Richard Commission	U	
05/03/2004	PD(AMc)	PM	Possible Peerage for Lord Advocate	R	
09/03/2004	POL	PM	Appointment of Lord Advocate to the HOL	R	
10/03/2004	PD(AMc)	PM	Phone Call with Jack McConnell 0 11 March 2004	R	
02/04/2004	First Min/Scot Assem	SS/DCA	Scottish Executive Capital and Resource DEL	R	
14/05/2004	SO	FCO	Visit by the Advocate General for Scotland to Helsinki, Finland, 26-28	U	
30/06/2004	First Min/Scot Assem	FCS	Scotland's international image	U	
01/07/2004	PD(AMc)	PM	Meeting with Jack McConnell	R	
02/07/2004	DCA	PD(AMc)	Presiding Officer of the Scottish Parliament	U	
08/07/2004	PD(AMc)	PM	Privy Council	R	
09/07/2004	ScotAss	PPS	Comments Following Meeting with First Secretary of Scottish Executi	R	
12/07/2004	SO	PD(AMc)	Presiding Officer of the Scottish Parliament	R	
20/07/2004	SS/SO	SS/DCA	JMC Plenaries	U	
21/07/2004	SO	LP	Devolution issues and bills	U	
21/07/2004	PPS	ScotAss	Meetings with PM	R	
23/08/2004	SS/DfT	SS/DCA	Amend Schedule 5 to the Scotland Act	U	
20/09/2004	SO	odpm	Good co operation between the Scottish executive and whitehall depa	U	
07/10/2004	MS/SO	CH EX	Scottish Executive's Tax Proposals for Budget 2005	U	
13/10/2004	SS/SO	scotEX	Gaelic Language Bill	U	
01/11/2004	FCS	scotEX	International Strategy	U	
09/11/2004	SS/SO	FCS	Gaelic Language (Scotland) Bill	U	
11/11/2004	HS	DPM	Scotland's first Fresh Talent Initiative	U	
12/11/2004	SS/DES	First Min/Scot Asse	Gaelic Language Bill	U	
19/11/2004	CST	FCS	Gaelic Language (Scotland) Bill	U	
23/11/2004	SS/DWP	First Min/Scot Asse	Gaelic Language (Scotland) Bill	U	
24/11/2004	ms/ODPM	DPM	Scotlands fresh talent initiative	U	
26/11/2004	SS/SO	DPM	Scottish and Northern Irish Banknotes Legislation	U	
30/11/2004	PUS/SO	ScotAss	Queen's speech -speedy resolution of devolution issues	U	
30/11/2004	PD(AMc)	PM	Scottish Media Bids	R	
08/12/2004	Cab Off	FA/PS	Any re organisation The scottish angle where are we	C	
15/12/2004	HS	First Minister -Scottis	Gaelic Language Bill	U	
17/12/2004	DPM	HS	Scotland's fresh talent initiative	R	
03/02/2005	pus/DCA	SS/DCA	PD Clearance for the making of a scotland act section 30(2) order to r	U	
14/02/2005	SS/SO	SS/DCA	PD clearance for the making of a Scotland Act Section 30(2) Order to	U	
07/03/2005	SS/DCA	pus/DCA	PD Clearance for the making of a Scotland Act Section 30(2) Order t	U	
20/04/2005	First Min/Scot Assem	PM	Tackling Sectarianism in Scotland - Record of Summit, 14 February 2	U	

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Rt Hon Tony Blair
Prime Minister
10 Downing Street
London
SW1

CO (letter only)
cc: cm
MG (letter only)

→ DCO

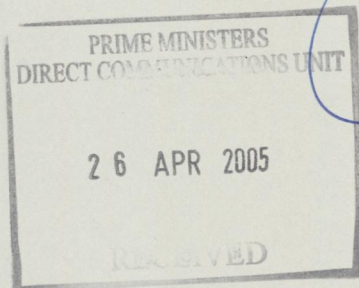
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<http://www.scotland.gov.uk>

Our ref: ZIG1/2

20 April 2005



Dear Tony,

In the multi-cultural Britain of the 21st century, there can be no place for religious intolerance or sectarian bigotry blighting the lives of communities and individuals. Our devolved government is determined to tackle sectarianism, a shameful fact of life in Scotland for too long.

There is no doubt that bigoted sectarian attitudes risk holding us back. Incidents of abusive and violent behaviour tell us that Scotland is not yet free of past prejudices. But I am determined to change this. Devolution has given us an opportunity to build a strong, healthy society where every Scot regardless of their background, can be confident of success. I am determined to make the most of that opportunity and with Cathy Jamieson in the lead, we are taking forward long term, co-ordinated action to tackle this problem once and for all.

I recently hosted the first ever Summit on Sectarianism. It was an historic event, bringing together key interests to discuss how sectarianism affects Scotland as a society, and how we can work together to end this intolerance. There were over 40 diverse organisations represented. Significantly, many of these organisations were sitting round the table in discussion for the first time.

Everyone who attended made a public commitment to work with us in the future to tackle bigotry, and we are now building on that commitment. It is clear that the solution to ridding our country of the negative effects of sectarianism does not lie with any one group and I want to incorporate ideas and initiatives from many sources.

We are working in partnership with those who attended the Summit and broader interests to develop an Action Plan on Tackling Sectarianism. It will be launched in August. The Plan will set out some tangible actions which can make a real difference. We will be taking concrete action in a number of areas including education, sport, marches and parades, and interfaith dialogue.



INVESTOR IN PEOPLE



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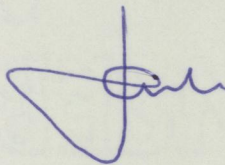
Progress is being made as the plan is being developed. We have recently launched an anti-sectarian education resource to support teachers and youth workers in their efforts to tackle sectarian attitudes among our young people. We are consulting on legislation to introduce football banning orders so that bigoted fans can be excluded from matches. We are implementing reforms on the way in which marches (as some traditional marches are sometimes associated with sectarianism) are arranged and conducted, following an in-depth independent review.

I am heartened that many organisations are already supporting us in our work and are prepared to take responsibility for making changes where they have influence. This has been particularly notable in the world of football – where Rangers and Celtic Football teams have made public statements outlining their commitment. This can only help to support a culture change amongst the bigoted minority of their supporters.

There can, of course, be no quick fixes to the problems long associated with sectarian attitudes. However, I am determined that our work will deliver benefits to people in Scotland now and in the future.

I enclose copies of a recent report on the action taken to date, and the report of the Summit. I hope you will copy this letter to UK Ministers who may have an interest.

Bert Wines



JACK MCCONNELL



INVESTOR IN PEOPLE



Record of the Summit on Sectarianism

14 February 2005



one
scotland
SCOTTISH EXECUTIVE

Introduction from the First Minister



For far too long bigoted sectarian behaviour has been a scar on Scottish life. The images of abusive and violent behaviour that result tell the world that Scotland is not yet free of past prejudices. But it doesn't need to be like this. Our small country has a big future. Devolution has given us a historic opportunity to build a strong, healthy society, one where every Scot, regardless of their background, can be confident of success. We must make the most of that opportunity.

Bigoted sectarian attitudes have no place in 21st-century Scotland. The Summit on Sectarianism on 14 February 2005 brought together key representatives, from a broad range of interests, to discuss working together to tackle sectarianism. I was pleased that those who attended welcomed the initiative. Discussion focused on four key themes of interfaith, education, sport and marches and parades. We consider these central to the work that needs to be taken forward. I hope you find this record of the Summit interesting.

The Summit was only the next step in a long-term process. We still have a long way to go. A clear agreement emerged to work together to tackle sectarian bigotry. I gave a commitment to develop, in partnership, a national action plan to tackle sectarianism. This will build on the desire for change and the shared commitment to work to make a real and lasting difference for the benefit of the people of Scotland now and in the future.

A handwritten signature in black ink, appearing to read 'J McConnell'.

Rt Hon Jack McConnell MSP

Opening Remarks

The First Minister welcomed participants to the first ever Summit on Sectarianism. He encouraged participants to speak freely. The First Minister made clear his commitment to tackling bigotry and religious hatred which risked holding back Scotland. He wanted to see a modern and dynamic Scotland which left behind prejudices of the past. Ministers recognised the importance of leadership and their own role in driving forward work. Changes had been made to legislation. The Summit was an opportunity to recognise progress made and commit to future action.

Discussion of Key Themes to Tackle Sectarianism

Discussion focused on four key themes central to tackling bigoted sectarian attitudes and behaviours. Those themes were:

- I – interfaith work;
- II – education;
- III – sport; and
- IV – marches and parades.

Following opening remarks made by the First Minister, each theme was discussed in turn and it was open to all participants to contribute. This record summarises the points raised and gives a flavour of the discussion. It does not attribute views.

I – The Interfaith Theme

General

- Religious intolerance was not acceptable in a modern multi-faith society although it was important to respect diversity and identity.
- Church and faith groups play an important role in people's lives and the wider community as a whole.
- Church and faith groups in Scotland, regardless of denomination, had good working relationships and forums like Action of Churches Together in Scotland (ACTS) and the Scottish Inter-Faith Council (SIFC) helped to foster these relationships.

- It was important that interfaith work was not confined just to Christian communities but included other faiths as well.
- A wider interpretation of interfaith work reinforced messages from the Fresh Talent Initiative, of a Scotland open to all.
- Protecting freedom of speech was important and everyone should be able to express legitimate religious views without fear of reprisal.
- It was important not to overlook other aspects of discrimination, sectarianism was often used to describe anti-Irish racism.

Common ground

- All faiths had a great deal in common and there were often more similarities than differences. More focus on commonly-held beliefs would be positive.
- Pilot projects, such as the appointment of an interfaith officer by Glasgow City Council, were to be welcomed.

Church initiatives

- There were already many examples of Catholic and Protestant churches working together, for example to tackle discrimination and poverty in Glasgow, working with young people and issuing joint statements on issues such as the Family Law Bill.

Act of Settlement

- Various views on the Act of Settlement 1701, and its implications, were raised.

Media coverage

- There was a desire for moral and ethical issues to be debated more openly in the media. There could be a large audience for this type of programming if it were done in a constructive and non-sensationalist way.

Suggestions for areas of work to be taken forward

Suggestions were made by participants for areas of work which could be taken forward:

- Producing a joint statement on religious freedom;
- Sharing and promoting some examples of church and faith groups working co-operatively;
- Looking at the role of industrial chaplains;
- Learning from community-based work in Belfast and elsewhere in Northern Ireland; and
- Working at grass roots level with congregations.

II – The Education Theme

General

- Education was key to addressing sectarian attitudes among young people in their formative years.
- The Summit recognised the good work already underway with young people. Many organisations were involved such as; projects by Nil By Mouth and YouthLink Scotland tackling sectarian bigotry; police officers' work in schools and football clubs' work with young people.
- Young people wanted to talk about the issue and it was important to build the confidence among teachers and youth workers to support those discussions.

Anti-sectarian education resource

- The Centre for Education for Racial Equality in Scotland (CERES) had been commissioned to produce an anti-sectarian education resource in partnership with a range of organisations. It was to be launched in the Spring following a successful pilot.
- The pilot demonstrated the need for such a resource and had led to a change in pupil attitudes. It was well received throughout the pilot areas showing that the issue was relevant to a range of communities.

- The resource was aimed at teachers, youth workers and young people. It included information on historical issues and its content would evolve over time.

Education in schools

- Sectarian attitudes could be addressed under a number of areas of the curriculum, such as religious education, English, history or discussion of citizenship and human rights. This would avoid it being seen as an add on but better embedded as part of other lessons.
- Young people and adults needed to understand Scottish history and traditions better and myths and preconceptions needed to be addressed.
- The role of denominational and non-denominational schools was discussed. Schools did not teach sectarianism or intolerance; rather the reverse.
- Bringing pupils from different schools together was often helpful in tackling misconceptions and prejudices and joint campuses and initiatives where schools worked together often brought positive changes in attitudes.

Education outside schools

- Education and the formation of attitudes continued outwith formal education, in peer groups and families. Young people lived in their communities and needed support to challenge some of the sectarian attitudes they could find there.
- Young people's attitudes were reinforced by many sources and there was scope for making better use of those influences, such as running stories in comics.
- Innovative projects had been taken forward, such as YouthLink's A Culture of Two Halves project at Polmont Young Offenders Institution, which had used young people's interest in football to challenge prejudice and appreciate others' feeling. Those involved saw that they had a lot in common. The materials could be used more widely in the youth work setting.

Suggestions for areas of work to be taken forward

Suggestions were made by participants for areas of work which could be taken forward:

- Identifying and sharing good practice and positive experiences;
- Rewarding good practice, through an awards scheme or other incentives;
- Developing proposals for twinning schools; and
- Ensuring better education in prisons for those convicted of offences aggravated by religious prejudice.

III – The Sports Theme

General

- Sports exerted a strong and important influence on people's lives and those involved could play an important part in tackling bigotry.
- The Summit recognised the good work already underway. This included work by the police with football clubs; football banning orders and work by the Scottish Football Association, football clubs and supporters' organisations.
- Some felt the problem within sport was not so much a religious problem but a lack of understanding of religion and history or simply loutish behaviour.
- There was a danger in over-associating Scottish football with bigoted sectarian behaviour, although there was no doubt that people perceived sectarianism to be associated with sport and football. However, sectarianism was not caused by football nor was it just a problem for football.

Achievements and ongoing work

The Summit heard about some of the key achievements and ongoing work:

- Sportscotland were launching an Ethics Standard and Strategy for use by Scottish sport to help support good practice in ethical and equity issue.
- The Scottish Football Association's (SFA) Memorandum and Articles of Association covered sectarianism and looked at promoting, fostering and developing football in all its branches "without discrimination against any organisation or person for reasons of race, religion or politics".
- Both Celtic and Rangers Football Clubs, independently and together, had developed policies to tackle sectarianism and were actively involved in projects to tackle the issue and these were welcomed by the Summit.
- Education programmes run by football clubs, governing bodies of sport and supporters' organisations had a very positive impact on the views of young people.

Football matches

- Tackling sectarianism should not undermine the atmosphere at football matches where crowd excitement was integral.
- Crowd problems had reduced over time through work by the police and clubs. However, there were still problems and there was no room for complacency.
- Earlier kick-off times for matches between Celtic and Rangers Football Clubs had improved behaviour at matches, reducing the impact of alcohol on behaviour at the match but drinking could cause problems after the match.
- Placing more emphasis on the similarities between clubs, rather than their differences, could make things better.
- Football Supporters' Associations and Trusts had an important contribution to make and Supporters' Organisations and Forums wanted to work together to tackle bigotry.
- Identifying and pursuing people making bigoted sectarian remarks through legal channels needed to continue.

Media

- The media's role in reporting football was highlighted and the view expressed that the attention the media gave to the Old Firm clubs fuelled the problem.
- Football fans were sometimes portrayed in an extremely negative way, adding to hostility.
- The media could do more to ensure more impartial and balanced coverage of football matches.
- The media recognised their role and wanted to make a positive contribution but should not be blamed for creating the problem.

Suggestions for areas of work to be taken forward

Suggestions were made by participants for areas of work which could be taken forward:

- Developing ways of sharing and supporting good practice;
- Considering how best to build on supporters' organisations willingness to participate in discussions;
- Looking at the role of alcohol after matches and the role of licensing legislation; and
- Looking at whether there should be more control on what was posted on supporters' websites.

IV – The Marches and Parades Theme

General


- Participants at the Summit welcomed the Review of Marches and Parades and supported its recommendations. They wanted to work together to ensure the recommendations were successfully implemented.
- The tenor of the recommendations was right, balancing people's right to march and the rights of communities.

- The Executive was taking forward the recommendations through legislation, through a working group with local authorities and the police, and discussions with organisers.
- Glasgow City Council was piloting some of the recommendations and was developing its own policy after an extensive consultation.
- Marches could often unfairly be tarnished with a sectarian label although the behaviour associated with them was boorish, fuelled by alcohol, rather than motivated by sectarian beliefs.
- Inappropriate behaviour needed to be tackled, there needed to be greater control of on-lookers and organisers should ensure that participants did not wear para-military uniforms.

Suggestions for areas of work to be taken forward

Suggestions were made by participants for areas of work which could be taken forward:

- Marching organisations could meet to discuss their calendar of marches;
- Building on organisations commitment to implement the recommendations;
- Looking at the sale of alcohol around marches and parades; and
- Organising a joint interfaith march to celebrate common grounds.



Conclusion and Next Steps

The Summit recognised the need for leadership. There was a suggestion that the Executive should develop national messages which could be adapted to local circumstances, following the model of community planning. There were a number of common actions across themes, including the need to share good practice and make use of accessible material to highlight and tackle the issue of sectarianism.

The First Minister drew the Summit to a conclusion. It had been a historic event, bringing together a diverse range of participants who were prepared to engage in serious discussion of a difficult issue. It was the next stage in a long-term process. He wanted to give greater momentum to tackling sectarianism. The First Minister gave a commitment to developing a national action plan through a series of smaller meetings involving a wide range of organisations. It was important that the plan was developed in partnership. The plan should be launched later in the year.

Participants

Rowena Arshad, Director of the Centre for Education for Racial Equality in Scotland

Tim Blott, Newsquest Herald and Times Ltd

Chief Superintendent Tom Buchan,
Association of Scottish Police
Superintendents

Councillor James Coleman,
Glasgow City Council

Archbishop Mario Conti, Catholic Church

Jay Crawford, Real Radio Scotland

Alastair Dempster, sportscotland

Kenneth Elder, Scottish Federation of
Football Supporters Association

Dr Alison Elliot, Moderator of the General
Assembly of the Church of Scotland

Jim Divers, Celtic Supporters Association

Joan Fraser, YouthLink Scotland

Robert Gordon, Justice Department,
Scottish Executive

Donald Gorrie MSP

Jane Gotts, Rangers Supporters Assembly

Deputy Chief Constable Ricky Gray,
Association of Chief Police Officers
Scotland

Mark Hollinshead, Scottish Daily Record
and Sunday Mail Ltd

Bill Jamieson, Scotsman Publications Ltd

Cathy Jamieson MSP, Minister for Justice

Douglas Keil, Scottish Police Federation

Alison Logan, Sense Over Sectarianism

Maggie Lunan, Church of Scotland Church
and Nation Committee

Laurence Macintyre, Rangers Football Club

John McBeth, Scottish Football Association

Councillor Jim McCabe, North Lanarkshire
Council

Rt Hon Jack McConnell MSP, First Minister

Councillor Anne McGovern, Fife Council

Bernard McLeary, Learning and Teaching
Scotland

Iain McMillan, CBI Scotland

Keith Patrick Cardinal O'Brien,
Catholic Church

Peter Rafferty, Affiliation of Celtic
Supporters Clubs

Fred Sheddon, Nil by Mouth

Jim Slaven, Cairde na hEireann

Ian Small, BBC Scotland

Bill Speirs, Scottish Trade Union Congress

Jim Templeton, Rangers Supporters
Assembly

Cara Urquhart, COSLA

Sandy Watson, SOLACE Scotland

Councillor Pat Watters, COSLA

Sandy Wilkie, Scottish Radio Holdings plc

Ian Wilson, The Most Worthy Grand Master
of the Grand Orange Lodge of Scotland

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A Nation of Opportunity, Not a State of Fear

A progress report to the
Summit on Sectarianism
February 2005



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scotland
SCOTTISH EXECUTIVE

Tackling sectarianism in Scotland

Scotland is a great country, with a proud history and an exciting future.

But there are still some aspects of our national life that hold us back, not least the sectarianism which has been a shameful fact of Scottish life for generations.

In December 2002 the First Minister, Jack McConnell, signalled the government's determination to stamp out the bigoted behaviour and attitudes that characterise sectarianism in Scotland.

When launching the report of the Cross Party Working Group on Religious Hatred he said:

"Modern Scotland must challenge bigoted attitudes and bigoted behaviour wherever they are found.

"I want Scotland to be a society where we respect cultural differences and celebrate our rich and diverse religious traditions. I want all Scots to be proud of the Scotland we live in today.

"We need to put sectarianism in the dust-bin of history. Scotland must play a full part in Europe and the global economy, so we cannot allow ourselves to be dragged down by the deadweight of religious hatred and sectarian bigotry."

Since then the government has made significant progress towards realising the First Minister's ambitions.

Taking the lead, changing the law

Ending sectarianism will not be easy. It will take strong national leadership and, where necessary, changes to the law as well as cultural shifts.

- The government has consulted on, and taken forward, 12 recommendations from the Cross Party Working Group on Religious Hatred which was launched in December 2002. <http://www.scotland.gov.uk/library5/society/trhr.pdf>
- Legislation came into force in June 2003 which makes specific provision for offences aggravated by religious prejudice (section 74 of the Criminal Justice (Scotland) Act 2003). If someone commits an offence which is motivated by religious prejudice, Scottish courts must take this into account and state any extra element of the sentence which they are giving for the aggravation.
- We have a robust system in place to monitor charges with religious aggravation. Between June 2003 and September 2004 there were 450 charges that included section 74 aggravations submitted in reports by the police to Procurators Fiscal. Proceedings commenced in 404 of these.
- Government alone will not be able to end sectarian attitudes, which is why we have funded voluntary groups to support innovative, community-based projects tackling sectarian attitudes at grass-roots level, including Nil by Mouth, Sense Over Sectarianism and YouthLink Scotland.

But more needs to be done

Scotland's first national sectarian summit was an event unprecedented in our history. Never before had so many diverse and influential groups and individuals sat down together to discuss how best we can rid Scotland of the bigotry that has held us back for generations.

The fundamental shift in attitudes and behaviour we all strive for will not happen overnight. But working together we can build one Scotland. A country based on the enduring values of community, mutual understanding and respect. A nation of opportunity, not a state of fear.

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Marching with respect

Scotland has a rich tradition of marches and parades, but we cannot ignore the fact some people use parades and marches as an excuse for abusive and sectarian behaviour.

- The government asked Sir John Orr to carry out an independent review of the arrangements for all marches and parades, and in January this year we accepted all 38 of his recommendations presented in his report, "The Review of Marches and Parades in Scotland".

<http://www.scotland.gov.uk/library5/society/rmpsm-oo.asp>

- We have already started work to implement his recommendations through consulting on those which may need legislation as part of "Supporting Police, Protecting Communities: Proposals for Legislation". We have set up a working group of police and local authorities to take forward those recommendations which do not need legislation. And we are in discussion with the Accounts Commission and Her Majesty's Inspectorate of Constabulary to develop robust monitoring arrangements.

Promoting mutual understanding

The solutions to ridding our country of the negative effects of bigotry will not be found from one section of civic life. We need to promote mutual respect and understanding between all religions and faiths, as well as those of no faith.

- The government has granted the Inter Faith Council £300,000 over three years to advance knowledge and mutual understanding of different faith communities in Scotland and to support the work of the Scottish Interfaith Youth Forum.
- The Core Liaison Group, chaired by the government and including church and faith groups, has been set up to inform faith communities so that they can participate fully in policy discussions and consultations.



A better future through education

Young people are the future of Scotland and we cannot betray their future by condoning or ignoring the actions and words of bigoted adults. Our education work with young people is crucial to achieving our goals.

- In April 2004 we hosted a conference: “Anti-Sectarianism in Scotland – Working with Young People”. This looked at the role education can play in tackling sectarianism and to share examples of good practice.
- We have commissioned the Centre for Education for Racial Equality in Scotland to develop educational material in partnership with key organisations including Nil by Mouth, the Scottish Human Rights Centre, Sense Over Sectarianism, Rangers and Celtic. We piloted some of the materials in schools in Dundee, West Dunbartonshire, North Lanarkshire, Dumfries and Galloway, and the Highlands and Islands, where they proved successful. The resource was launched nationally in March 2005.

Kicking bigotry into touch

Sadly, we continue to see unacceptable expressions of religious intolerance at our football grounds, where some supporters use different clubs' traditions as a vehicle for violence and bigoted behaviour.

- We support the work that the Association of Chief Police Officers in Scotland (ACPOS) and football clubs have been doing to tackle sectarian behaviour, including protocols to make it easier to share information about so-called fans who have been involved in acts of sectarianism. This protocol has so far been implemented by Strathclyde Police with Rangers and Celtic, Lothian and Borders Police with Hearts and Hibs, and Grampian Police with Aberdeen.
- We strongly welcome the work done by the Scottish Football Association, Scottish Premier League and Scottish Football League clubs in putting in place clear anti-racism and anti-sectarian policies as part of the National Club Licensing Scheme.
- The government, working with local authorities and the police, have cracked down on the problem of the sale of sectarian and paramilitary goods outside football grounds. In December 2002 the then Minister for Local Government, Andy Kerr, wrote to all Scottish local authorities to suggest that street traders should be licensed and prevented from selling such goods. Local authorities responded positively and spot checks by police have reported significant improvements.
- The consultation on the Police Bill published in early February proposes the introduction of football banning orders. This will give police and courts greater powers to take action against those both in Scotland and when Scottish teams play abroad.

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**dca**

Department for
Constitutional Affairs
Justice, rights and democracy

RESTRICTED - POLICY

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Amg
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JR
EM

7th March

2005

Dear Chris,

**PD CLEARANCE FOR THE MAKING OF A SCOTLAND ACT SECTION 30(2)
ORDER TO RESERVE THE SUPREME COURT**

Your letter to me of 3 February sought PD clearance for the laying of a Scotland Act section 30(2) order to reserve the Supreme Court. This letter confirms PD clearance.

A response was received from Alistair Darling (14 February).

Alistair supported your proposal to lay the section 30(2) order and asked to be kept updated on any timing and handling issues.

No other members of PD commented. You may therefore take it that you have clearance to proceed.

I am copying this letter to the Prime Minister, PD Committee members, First Parliamentary Counsel and Sir Andrew Turnbull.

Yours,

LORD FALCONER OF THOROTON



INVESTOR IN PEOPLE



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14 February 2005

2 Gaelie

**PD CLEARANCE FOR THE MAKING OF A SCOTLAND ACT SECTION 30(2)
ORDER TO RESERVE THE SUPREME COURT**

I am replying to Chris Leslie's letter of 3 February seeking PD clearance for the laying of an order under section 30(2) of the Scotland Act to reserve the Supreme Court.

I gave my in principle agreement to the section 30(2) order in July of last year and your officials have been diligent in keeping mine informed of progress since then. Having now seen a draft of the order I can confirm that I support the proposal to lay it. I would be grateful if you could keep me updated on any timing and handling issues. We of course stand ready to draw on our experience of making secondary legislation under the Scotland Act to ensure the order's successful passage.

I am copying this letter to the Prime Minister and PD Committee Members.

Yours

u h.

ALISTAIR DARLING



Department for
Constitutional Affairs
Justice, rights and democracy

Christopher Leslie MP

Parliamentary Under
Secretary of State
Selborne House
54 Victoria Street
London SW1E 6QW

T 020 7210 8683
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E grant.morris@dca.gsi.gov.uk

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Rt Hon. Lord Falconer of Thoroton
Secretary of State for Constitutional Affairs
Selborne House
54 Victoria Street
London
SW1E 6QW

AMC
✓ KE
DT
JR
EM

03 FEB 2005

Dear Charlie

**PD CLEARANCE FOR THE MAKING OF A SCOTLAND ACT SECTION 30(2)
ORDER TO RESERVE THE SUPREME COURT**

I am writing to you as Chair of PD Committee to seek clearance for the laying of a section 30(2) order under the Scotland Act 1998. In line with Devolution Guidance Note 14 (DGN), PD Committee members agreement must be sought before such an order can be introduced. I would be grateful for comments by 19 February.

Section 30(2) of the Scotland Act provides a mechanism whereby Schedule 5 to the Act can be modified by an Order in Council, subject to the agreement of both the UK and Scottish Parliaments. It allows the Scottish Parliament's legislative competence to be altered by removing existing reservations in whole or in part, adding new ones or updating existing ones. This Order in effect updates the existing reservation for the Parliament of the United Kingdom, which encompasses the House of Lords in its judicial capacity, and maintains the devolution status quo in respect of the ultimate appellate court within the United Kingdom.

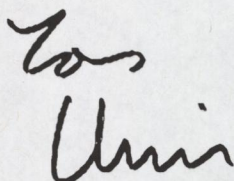
Leaving aside the issue of the extent to which the Constitutional Reform Bill makes provision for devolved purposes, the Department for Constitutional Affairs is in agreement with the Scottish Executive that, as the Supreme Court would be a new body within the constitution, provision should be made in Schedule 5 to the Scotland Act 1998 to reflect the status quo in relation to the House of Lords and the devolution jurisdiction of the Judicial Committee of the Privy Council. The provision would accordingly specify that the Supreme Court is a reserved matter but except from that reservation aspects of the Court's jurisdiction to reflect what the Scottish Executive considers would, in the context of the current position regarding the appellate jurisdiction of the Appellate Committee of the House of Lords, be a devolved matter: that is, the conferring, removing or restricting of the right of appeal from the higher Scottish Courts in matters other than devolution issues (within the meaning of Schedule 6 to the Scotland Act).

The intention is then to amend Schedule 5 to the Scotland Act by order under section 30(2) so as to provide for a new entry covering the Supreme Court. The policy intention is that, subject to the exception mentioned below, all matters relating to the Supreme Court should be reserved. This should therefore encompass matters such as:

- The continued existence of the Supreme Court
- The appointment of members of the court including qualifications for appointment and selection of candidates for appointment
- The terms and conditions upon which persons are appointed as members of the court, including terms, salaries and allowances, resignation, retirement, removal and pensions.
- Persons who may be appointed as acting judges of the court
- The jurisdiction of the court to hear cases
- The composition of the court when hearing cases
- The practice and procedure before the court, including the making of Rules governing the same
- The resources of the Supreme Court including the provision of administrative support and accommodation
- Fees which may be charged in respect of anything dealt with by the Supreme Court
- Records of the Supreme Court.

The policy intention is to provide for an exception from the reservation so that it would be within the legislative competence of the Scottish Parliament to make provision by an Act of the Scottish Parliament conferring, removing or restricting a right of appeal to the Supreme Court from any order or judgement of a court in Scotland other than in relation to a devolution issue. In effect therefore it will continue to be within the legislative competence of the Scottish Parliament to determine the route of appeals.

I am copying this letter to the Prime Minister, PD Committee members. Also I am writing separately in the same terms to Jack McConnell (First Minister, Scottish Executive), and his colleagues Cathy Jamieson (Justice Minister) and Colin Boyd (Lord Advocate).



CHRISTOPHER LESLIE



DEPUTY PRIME MINISTER

RESTRICTED - POLICY

OFFICE OF THE
DEPUTY PRIME MINISTER
26 Whitehall
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SW1A 2WH

Tel: 020 7944 8623
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The Rt Hon Charles Clarke MP
Home Secretary
Home Office
50 Queen Anne's Gate
London
SW1H 9AT

17 December 2004

Charles Clarke

SCOTLAND'S FRESH TALENT INITIATIVE

David Blunkett's letter of 11 November sought DA colleagues' agreement to extending the pilot scheme 'Fresh Talent: Scotland' to include those studying HNDs. This will allow overseas students completing HNDs to pursue their careers in Scotland for two years. This letter confirms policy clearance for your proposals. You should liaise with Downing Street over the timing of the announcement.

A response to your letter was received from Nick Raynsford. No other DA colleagues commented.

Nick welcomed the proposal, noting his interest in the programme as an important tool for promoting regional economies across the United Kingdom by promoting the immigration of those with both quality skills and regional ties. He also noted his interest in exploring the prospects of developing similar programmes in the English regions, some of which suffer from similar problems in the retention of skilled workers.

I am copying this letter to the Prime Minister, members of DA Committee, Jack Straw, Hilary Benn and Sir Andrew Turnbull.

John Prescott

JOHN PRESCOTT

02072733965



Home Office

Home Secretary
50 Queen Anne's Gate, London SW1H 9AT

The Rt. Hon. Jack McConnell MSP
First Minister for Scotland
St. Andrews House
Regent Road
Edinburgh
EH1 3DG

15 DEC 2004

Dear Jack,

GAELIC LANGUAGE BILL

Thank you for sending me a copy of your letter of 29 September to Alistair Darling about the Gaelic Language Bill.

My officials are already considering the Home Office position as part of the discussions already underway at official level between Whitehall departments and the Scottish Executive on issues arising from the Bill.

I support the aims of promoting and protecting the Gaelic language that the Bill aims to achieve. However, as Charlie Falconer points out in his letter of 16th October, the delivery of services in Gaelic should be weighed against business needs and demand and after a discussion about any funding.

I am copying this letter to the Prime Minister, John Prescott, Gordon Brown, Charlie Falconer, Jack Straw, Margaret Beckett, Hilary Benn, Charles Clarke, Alistair Darling, Alan Johnson, John Reid, Geoff Hoon, Paul Boateng, Patricia Hewitt, Tessa Jowell, Paul Murphy, Peter Hain, Alan Milburn, Sir Andrew Turnbull and Peter Peacock.

Best wishes

DAVID BLUNKETT

From: KEN KEHOE
Tel: 7276 0510

cc: JPs, Sm, PmcF, DH, AP, me

NIGEL SHEINWALD

cc Margaret Aldred
Jasper Thornton

2) Prime Minister

Background for your 9 o'clock
meeting on Thursday with Geoff
Hoon and Alastair Darling.

8 December 2004

Nigel Sheinwald
8/xii

ANY RE-ORGANISATION: THE SCOTTISH ANGLE: WHERE ARE WE?

You asked for a note on the emerging conclusions from the MoD's work on any re-organisation, in particular how the Scottish regiments will be dealt with. I have spoken to Hoon's office a couple of times this morning. They have not yet seen CGS's recommendation; it is being held up by the other question about the SF support battalion. The details below are, as they understand the position, they have promised to let me know if something different emerges.

2. The key points are:

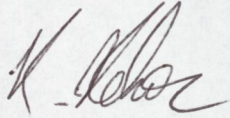
- The position is likely to be as trailed in recent weeks. The Black Watch will become a battalion under the new Scottish Regiment. The required cut of one battalion will be made by merging the King's Own Scottish Borderers and the Royal Scots.
- Unlike the rest of the UK, the Scottish Regiments will be allowed to put their name first in the new structure. Thus, for example, the Black Watch would become The Black Watch (3rd Battalion) Royal Scottish Regiment.
- The Scottish regiments have agreed to have a single tartan; it is no clear whether there is agreement that each element of the new regiment will be able to wear other items eg the Black Watch hackle.
- The outcome of the Scottish re-organisation is not affected by the separate problem about the Special Forces Support Battalion.
- MOD anticipate being in a position to make announcement on the way ahead before the Christmas recess, possibly between 13th and 16 December.

Mike Jackson
said they would
keep the Hackle.

CONFIDENTIAL

- The Black Watch start returning to the UK on 9th December, and will be back in their base at Warminster by 13th December.

3. I will let you know if MOD come back with further details.

A handwritten signature in dark ink, appearing to read 'K. Kehoe', with a stylized flourish at the end.

KEN KEHOE

CONFIDENTIAL



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AN OIFIS ALBANNACH

Fo-rùnaire Stàite na Pàrlamaid

Taigh Dhòbhair

Whitehall

Lunnainn SW1A 2AU

Margaret Curran MSP
The Scottish Parliament
Edinburgh
EH 99 1SP

30 November 2004

Dear Margaret

KEG

CC DT

Our officials worked closely in the run up to the Queen's Speech and the announcement of the legislative programme on the speedy resolution of devolution issues and on the presentation of provisions in the UK legislative programme triggering a Sewel motion in the Scottish Parliament. This enabled us to engage proactively with the media and I welcome the innovation of your announcement to the Scottish Parliament of the bills in the programme that will include provisions subject to Sewel motions.

We must continue to monitor the timing and handling issues around these bills, especially bearing in mind the fact that the timescale for seeking the agreement of the Parliament to Sewels may be somewhat smaller than in other Parliamentary sessions. There will be very little – if any – room for manoeuvre after introduction.

My officials have already provided yours with details of introduction dates, where known, of bills containing provisions subject to Sewel motions so that you are able to initiate the Sewel machinery in the Parliament as soon as possible. I know that in the past Parliamentary committees have complained about the limited timescale for scrutiny of a Sewel memorandum and I hope we can minimise the degree to which the focus of scrutiny is on process rather than on the policy contained in the memorandum and motion.

My officials will continue to liaise closely with yours in handling devolution issues in the programme in general and especially the Sewel Convention. In particular, we will provide details of the final amending stage, which I hope will help you in planning the Executive's handling and timetabling of motions.

I am copying this letter to the Prime Minister, Peter Hain, Sir Andrew Turnbull, First Parliamentary Counsel and Jack McConnell.

ANNE MCGUIRE

RESTRICTED

1.40
2.41

From: Alasdair McGowan
Date: 30 November 2004

PRIME MINISTER

Cc: Pat McFadden
Sally Morgan
David Hill
Anne Shevas
Hilary Coffman
Andrew Adonis
Kate Garvey

SCOTTISH MEDIA BIDS

You have an interview tomorrow with Paul Sinclair of the Daily Record.

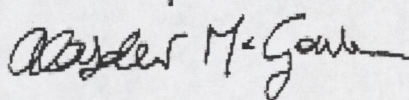
Paul has said he wants to ask you about:

- Black Watch;
- Iraq;
- What will the next election be fought on?
- Will you definitely stand for another four years?

Apparently, the Scottish media seem to be convinced that you are planning to visit the Parliament, despite the fact that this has never been on the cards. You might therefore be asked why you are not going.

I am assuming that you do not require further briefing on the future of the Scottish regiments. The Army Board will not meet until after your visit. However, I have attached for your information Geoff Hoon's comments at MoD questions yesterday. You may well be asked about them.

Please also find attached a short brief on other live issues in Scotland plus an achievements brief. We will provide you with a brief on the relevance of the PBR to Scotland nearer the time.



ALASDAIR MCGOWAN

RESTRICTED

Public Service Reform

Accusation:

- Jack McConnell not pursuing an ambitious enough public service reform agenda. Scotland has rejected English reforms such as foundation hospitals, tuition fees, city academies etc.
- Queen's Speech not relevant to Scotland.

Rebuttal:

- Devolution means that Scotland is free to develop its own reform agenda. Jack is doing that. Only last week, for example, the Scottish Executive announced that they want greater private sector involvement in the NHS. Up to Scottish Executive to decide what form that takes.
- Jack is also introducing many of the new policies to tackle ASB and crime that we are pursuing in England and Wales. And they are using PPP to deliver the biggest school-building and hospital-building programme in Scotland's history.
- Queen's Speech is very relevant to Scotland. For example, the measures on serious organised crime, ID cards and counter-terrorism. Also measures to do with Child Benefit, gambling, European Constitution, the future of the Civil Service, disability discrimination, railways etc.

ID Cards

Accusation:

- Scotland being forced to accept ID cards because Scottish Executive are allowing Westminster to legislate in a devolved area through the use of a 'Sewel Motion'.

Rebuttal:

- Up to the Scottish Executive to decide whether to opt for a 'Sewel Motion'.
- Clearly makes sense to legislate for this on a UK basis. ID cards will of course be issued across the UK.
- However, I understand that the Scottish Executive have said that they do not intend to require ID cards for access to devolved services in Scotland. That's devolution.

NHS Waiting Lists

Accusation:

- Latest figures show inpatient waiting times are rising.

Rebuttal:

- Although number of inpatients/day cases waiting more than 6 months increased over the last quarter, it is still down by over 3,000 compared to the same time last year.
- The existing 9 month guarantee for inpatients/day case patients was met without exception.
- And no patient waited more than the maximum 18 weeks guarantee for coronary artery bypass/angioplasty.

Gambling

Accusation:

- Jack McConnell opposed to new super-casinos in Scotland.

Rebuttal:

- As I understand it, the Scottish Executive broadly support our proposals to modernise what are outdated gambling laws.
- Quite rightly, they are concerned about protecting children and the vulnerable and want to avoid an upsurge in problem gambling. So do we. That is why we have introduced the safeguards we have.
- Any new casinos in Scotland will only be agreed if they are licensed by Scottish Licensing Boards and regulated by conditions set by the Scottish Executive.

Business rates

Accusation:

- Business rates are higher in Scotland than in England.

Rebuttal:

- Business rates are a matter for the Scottish Executive.
- However, it is not true to say that business rates are higher. The Scottish poundage rate is certainly higher than England. But this is offset by the fact that the rateable values are lower.

Scottish Parliament Building

Accusation:

- Cost has risen from initial estimate of £40 million to £430.5 million. Yet the Fraser Inquiry refused to blame any one individual.
- The PM has snubbed the Scottish Parliament by refusing to attend the opening of the new Scottish Parliament building and has still not visited it.

Rebuttal:

- Costs are a matter for the Scottish Parliament. Clearly, as Lord Fraser said, there are lessons to be learnt for the future and I am sure they will be. But I think most people accept that it is now time to move on and focus on what the Parliament can achieve.
- Sadly, could not make it to the opening but understand it is a very impressive building. Certainly, no snub was intended.

Efficiency Savings

Accusation:

- Efficiencies don't go as far as those in the rest of the UK.
- HMT inspired efficiency savings are greater than expected and will lead to job losses – contrary to previous commitments made by the Scottish Executive.
- Chancellor announced 20,000 jobs cut in the devolved administrations and English local government.

Rebuttal:

- Efficiency savings and any job losses associated with these are a matter for the Scottish Executive. HMT figures for the devolved administrations were simply indicative.

- As I understand it, the Scottish Executive have not set a total for the numbers of jobs involved but they are committed to delivering £1.7 billion worth of savings over the next three years. That is a substantial figure.
- And administration costs in Scotland as a proportion of total spending are already lower than the UK target for 2007/8.

Scotland achievements:

- Record employment - up 8% since 1997
- Lowest inflation since the 1960s.
- Unemployment down 26% since May 1997
- Long term unemployment, and youth unemployment both down by over 70% since 1997 thanks to help from the New Deal
- Over 30,000 Modern Apprenticeships – meeting target two years early
- Record investment in NHS – rising by £3.1bn over five years from 1999 to 2005.
- Over 49,000 pensioners benefiting from Free Personal and Nursing Care.
- Heart disease, cancer & stroke death rates among under 75s - all down. On target to meet a 20% reduction of cancer in under 75s by 2010.
- Over 3,000 extra nurses since 1999 – more doctors and more consultants
- Nobody waiting for inpatient and day case treatment for more than 9 months from the end of 2003. This guarantee will be reduced to 6 months from the end of 2005. This is a guarantee, not a target.
- Over 50% of patients receive immediate treatment and never join a waiting list. Of those who do wait, 40% admitted for treatment within 1 month and 70% within 3 months.
- 6 new hospitals and the extension of 2 existing facilities have been completed using both PPP and Public Capital Funding.
- Highest number of 3 and 4 year olds in pre-school provision ever.
- Virtually all 5, 6 and 7 year olds in classes of 30 pupils or less.
- Biggest-ever school building programme – inc. 29 PPP projects worth £2.3bn. 200 more schools will be renewed by 2006, rising to 300 by 2009.
- Over half of school leavers continue their studies in further/higher education – more than double the number in higher education than in 1989/90.
- Results in reading, writing and maths at primary levels improving year on year with 74% achieving target levels in English writing and 80% in Maths.
- International studies rank Scottish 15 year-olds 5th out of OECD countries in maths literacy
- Free local off-peak bus travel for over 1 million older people and disabled people (since Sept 2002)
- Reduced the number of children in absolute poverty

- Number of households living in fuel poverty reduced by more than 50%.
- More police – up 7% since June 1999. Record numbers of civilian support staff – up 25% on June 99. The September 2004 figures for both of the above are records.
- Recorded crime at lowest level for 23 years – down by 5%. Violent crime down by 7%.
- Record crime clear-up rate - currently 47%, up from 39% in 1997.
- Since its creation in 2000 £125 million of drugs have been seized by Scottish Drug Enforcement Agency.
- Youth Courts and fast track hearings to tackle youth crime
- 2,100 CCTV cameras to prevent crime & increase community safety
- £95m for councils to tackle vandalism, graffiti and other local needs.
- Over 43,000 central heating systems installed - free for public tenants and for those over 60 in private sector; over 200,000 homes insulated – nearly 1/10th of all Scottish houses.
- 7 new vessels introduced to service since 1999 to help maintain lifeline links to Northern/Western Isles.

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THE SCOTSMAN

SCOTLAND'S NATIONAL NEWSPAPER ONLINE

Tuesday, 30th

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Tue 30 Nov 2004



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Hoon fuels fury by comparing campaign to tartan trivia

FRASER NELSON
POLITICAL EDITOR

GEOFF Hoon yesterday triggered further outrage over plans to amalgamate Scotland's six army regiments by suggesting that campaigners are arguing about tartan - and "a few more threads of red, green or white".

The Defence Secretary stunned Opposition MPs by reading out a quote from one of his predecessors in 1896, to the effect that efforts to preserve Scotland's proud military history were a trivial diversion.

Tony Blair, the Prime Minister, also caused confusion by hinting that the Ministry of Defence was wrong to suggest - as it did last week - that the fate of the Black Watch is sealed.

In the Commons, Mr Hoon showed he had come prepared for the usual barrage of questions from Scottish MPs. He brought with him a quote from Hugh Childers, a former war secretary. "The tartan question is one of the gravest character - far more important than the maintenance of the union with Ireland," he quoted Mr Childers as saying.

"All the thoughts of the War Office are concentrated on it and patterns of tartans past, present and future fill our rooms. We are neglecting the Transvaal and the Ashanti for the sake of weighing the merits of a few more threads of red, green or white."

This was intended as a humorous riposte to Scottish MPs - but triggered an incendiary reaction from campaigners who said Mr Hoon had exposed his cavalier attitude to Scotland's military history.

Jim Blythe, a retired Lt-Col formerly of the Royal Scots, said Mr Hoon's joke betrayed that he has misunderstood the campaigners' debate all along.

"His point seems very fatuous. It's not about saving tartan, it's not about looking to the past," he said. "It's about being able to serve the nation effectively without the military being degraded by politicians who don't understand."

Angus Robertson, the SNP's defence spokesman, said: "Scotland's historic regiments are not only about a tartan - they are about pride, tradition, loyalty and comradeship."

Last week, journalists were invited to the MoD in a briefing which left no doubt that Lt-Gen Sir Michael Jackson, the head of the army, is supremely confident that his plans to amalgamate the Scottish regiments will be rubber-stamped by Mr Blair.

The briefing was intended to settle speculation, which had been ignited when an MP claiming to speak with the authority of Mr Blair suggested the Black Watch was to be saved.

In his monthly press conference yesterday, Mr Blair seemed to hint that the MoD may yet be overruled when the Army Board meets for a final decision.

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"I would not read too much into any briefing until you get the final decision," Mr Blair said. He added that no Black Watch soldiers are in threat of being laid off, and many have voiced support for the merger.

Gen Jackson wants to amalgamate all six regiments, and attach existing names to five battalions, with one tartan.

PAST AND PRESENT

"THE tartan question is one of the gravest character - far more important than the maintenance of the union with Ireland. All the thoughts of the war office are concentrated on it and patterns of tartans fill our rooms. We are neglecting the Transvaal and the Ashanti for the sake of weighing the merits of a few more threads of red, green or white." - *Hugh Childers, War Secretary in 1881*


"It would be crass and insensitive if we did not take the necessary decisions to ensure that Britain's armed forces and army were organised to face the challenges of the 21st century - recognising, as we do, the importance of preserving identity, heritage and tradition." - *Geoff Hoon, Defence Secretary in 2004*

DELIVERY FORMATS FOR "THE SCOTSMAN"

[more info]

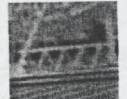
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The Rt Hon John Prescott MP
Deputy Prime Minister
26 Whitehall
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26 November 2004

I am writing in response to Stephen Timm's letter to you of 15 November seeking DA Committee clearance for the proposed Scottish and Northern Irish Banknotes legislation.

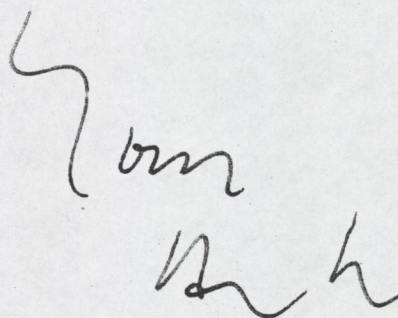
I hold no objection on policy grounds to the proposed legislation but I think its introduction will need to be supported by parallel, and very sensitive, liaison with the affected banks. The Scottish Banks are protective of their differentiated status and will not welcome legislation suggesting that there is a risk of their insolvency.

Furthermore, all the banks in Scotland will be disappointed to note that Government is seen to allocate legislative time for a Scottish and Northern Irish Banknotes Bill but not for a Cheques (Scotland) Bill. I am grateful to the Treasury for championing the Cheques (Scotland) Bill in the past and it is regrettable that although it has been on the handout list in recent times, no progress has been made. Consequently, the Committee of Scottish Clearing Banks continue to press for it. As you know, the Cheques (Scotland) Bill amounts to just 3 clauses, and if enacted, would remove an anomaly in Scots Law that currently creates an additional administrative burden for Scottish banks.

The Scottish Banks are likely to feel aggrieved that the one piece of legislative "tidying" that they would welcome is not being addressed, whilst the Government is devoting resources to advancing, without preliminary discussion, a different Bill compromising their current status. This sensitivity will need to be considered as the Bill is introduced although it might be mitigated if a means of introducing the Cheques (Scotland) Bill could be found.

Given these sensitivities I would urge you to consult with the banks as soon as possible.

I am copying this letter to the Prime Minister, Peter Hain and members of LP and DA Committees, Sir Andrew Turnbull and First Parliamentary Council.

A handwritten signature in dark ink, appearing to read 'Alistair Darling', with a large, stylized initial 'A'.

ALISTAIR DARLING



Office of the
Deputy Prime Minister

Creating sustainable communities

Rt Hon John Prescott MP
Deputy Prime Minister
26 Whitehall
LONDON
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The Rt Hon Nick Raynsford MP
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Our Ref: P/R/021470/04

24 NOV 2004

AMG
CE
AA
GH

Dear John

SCOTLAND'S FRESH TALENT INITIATIVE

I have seen David Blunkett's letter to you of 11 November setting out the proposed extension to HND students of the 'Fresh Talent: Scotland' initiative. The extended proposals suggested by Jack McConnell and David Blunkett to assist non-EU students studying for HNDs in Scotland is a welcome development. I continue to retain interest in this programme which may offer an important tool for promoting regional economies across the United Kingdom by promoting the immigration of those with both quality skills and regional ties.

I look forward to the results of 'Fresh Talent: Scotland' initiative and exploring with you, if it is successful in Scotland, the prospects of developing similar programmes in the English regions, some of which suffer from similar problems in retention of skilled workers.

Yours ever

Nick

NICK RAYNSFORD

I am copying this letter to the Prime Minister, Members of D.A., Jack Straw, Hilary Benn and Sir Andrew Turnbull. I am also copying this letter to Rhodri Morgan and Jack McConnell.



DWP

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The Rt Hon. Jack McConnell, MSP
First Minister
Scottish Executive
St Andrew's House
Regent Road
Edinburgh
EH1 3DG

23 November 2004

Dear Jack

AMcG ✓ GTD
CM

GAELIC LANGUAGE (SCOTLAND) BILL

I have recently received a copy of your letter dated 29 September 2004 to Alistair Darling. Thank you for the opportunity to respond.

The principles behind the Scottish Executive's policy of promoting and protecting the Gaelic language are laudable and the approach outlined in your letter to seek constructive dialogue with UK Departments seems a sensible one. While the potential exists for pressure from the Scottish Parliament to extend the provisions of the Bill it would be helpful if Scottish Executive and Westminster officials remained in close contact so that the legislation and final arrangements are in line with the devolution settlement and offer no surprises.

My Department would be prepared to work with the Scottish Executive if approached, to consider options for some limited service delivery in Gaelic but any proposals must be considered against other business priorities and the way we do business now and in the future. Many of the Department's agencies are currently undergoing considerable restructuring. For example in Jobcentre Plus, the focus is on an integrated service delivery so that our benefit processing and call centre network is consolidated in a smaller number of locations around the country. In addition, in many instances for example, within the Pension Service and Child Support Agency the staff based in Scotland deliver to a GB population and separating out a Gaelic service provision would be impractical and expensive. Our considerations would need to centre on providing discrete services or functions from selected agencies where in our experience there would be a business advantage.

As is always the case, any change to our customer service provision not previously anticipated would require funding, particularly something as specialised as providing a customer service in Gaelic. I would expect the devolved administration to fund any arrangements my Department may put in place and would appreciate your confirmation in that respect.

I hope this letter provides the assurance you seek. My officials are as always happy to work constructively with the Scottish Executive.

I am copying this letter as yours, to the Prime Minister, John Prescott, Gordon Brown, Charlie Falconer, Jack Straw, David Blunkett, Margaret Beckett, Hilary Benn, John Reid, Geoff Hoon, Paul Boateng, Patricia Hewitt, Charles Clarke, Tessa Jowell, Paul Murphy, Peter Hain, Alan Milburn and Sir Andrew Turnbull here, and Peter Peacock and John Elvidge in the Scottish Executive.

Yours
Alan

ALAN JOHNSON

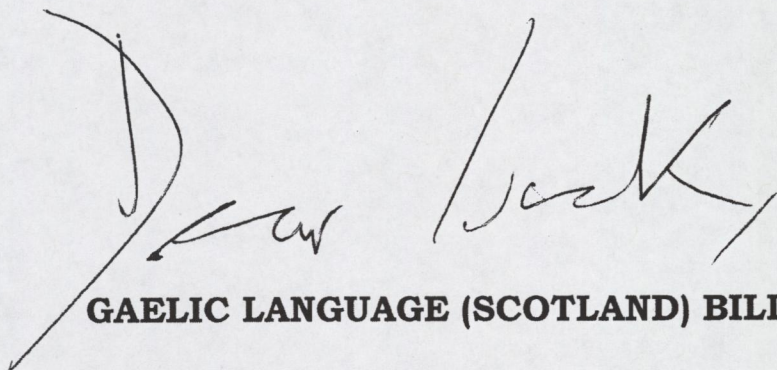


HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Jack Straw MP
Secretary of State
Foreign & Commonwealth Office
King Charles Street
London SW1A 2AH

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19 November 2004



GAELIC LANGUAGE (SCOTLAND) BILL

I have seen a copy of Alistair's letter of 9 November in which he endorses a voluntary approach to the provisions of this Scottish Parliament Bill, whereby colleagues make clear their willingness to work with the principles of the Bill while taking into account the cost and practical issues involved.

2. I am content to accept this approach on the basis that the Treasury will not make additional funds available, so that any costs must be met from within existing provisions by the Scottish Executive or departments in accordance with normal rules.



3. I am copying this to members of the Cabinet and Sir Andrew Turnbull.

A handwritten signature in dark ink, appearing to be 'P. Boateng', written in a cursive style.

PAUL BOATENG



Any
cc: keg

Sanctuary Buildings Great Smith Street Westminster London SW1P 3BT
tel: 0870 0012345 dfes.ministers@dfes.gsi.gov.uk

Rt Hon Charles Clarke MP

The Rt Hon Jack McConnell MP
First Minister
The Scottish Executive
St Andrew's House
Regent Road
EDINBURGH
EH1 3DG

12 November 2004

GAELIC LANGUAGE BILL

I am replying to your letter of 29 September to Alistair Darling, advising copy recipients of the introduction of the Gaelic Language Bill to the Scottish Parliament.

My officials stand ready to discuss these issues with those in the Scottish Executive.

I am copying this letter to the Prime Minister, John Prescott, Gordon Brown, Charlie Falconer, Jack Straw, David Blunkett, Margaret Beckett, Hilary Benn, Alistair Darling, Alan Johnson, John Reid, Geoff Hoon, Paul Boateng, Patricia Hewitt, Tessa Jowell, Paul Murphy, Peter Hain, Alan Milburn, Sir Andrew Turnbull, and Peter Peacock.

Charles Clarke



02072733965



Home Office

Home Secretary
50 Queen Anne's Gate, London SW1H 9AT

File

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JR
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The Rt Hon John Prescott MP
Deputy Prime Minister
26 Whitehall
London
SW1A 2WH

11/11/04

Dear John,

SCOTLAND'S FRESH TALENT INITIATIVE

I am writing to you further on the Fresh Talent: Scotland scheme which you, as chairman of DA, cleared on 23 February this year. I would like to extend the pilot scheme to include those studying HNDs. Jack McConnell would like to make a further announcement on the details of the scheme at the earliest opportunity. I would welcome colleagues' agreement to proceed on these lines and seek responses by no later than November 25th. I am also writing in similar terms to Rhodri Morgan.

My letter of 10 February outlined the details of the Fresh Talent: Scotland scheme, which will allow overseas graduates from Scottish universities to pursue their careers in Scotland for two years after graduation.

HNDs are vocational in nature and often give training in the kinds of skills for which there is considerable demand. HNDs involve about 2 years of study at a level of the second year of a degree course, so that Scottish universities will admit someone with an HND into the third year of a degree course - Scottish first degrees at honours level normally taking four years. Students will have had to have studied their HND in Scotland, and so would have shown a commitment to the country for this time.

If colleagues are content with this minor adjustment, the First Minister would like, if timing allows, to make a further announcement when he launches Scotland's Relocation Advisory Service, which will support and monitor the success of migrants in Scotland, including those taking up this scheme.


SKP 11/11/04

02072733965

As you noted in your previous letter giving me clearance, a successful pilot could provide the foundation for looking at the needs of other regions and countries across the UK. I will therefore ensure that information emerging from the pilot is shared with interested colleagues so any next steps can be considered on the basis of some good evidence.

I am copying this letter to the Prime Minister, Members of DA, Jack Straw, Hilary Benn and Sir Andrew Turnbull. I am writing in similar terms to Rhodri Morgan, copied to Jack McConnell for information.

Best Wishes



DAVID BLUNKETT



SCOTLAND OFFICE
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www.scottishsecretary.gov.uk

The Rt Hon Jack Straw
Secretary of State
Foreign and Commonwealth Office
King Charles Street
LONDON
SW1A 2AH

*Amg
ce Ray*

9 November 2004

Am Jan

GAELIC LANGUAGE (SCOTLAND) BILL

I am writing to you following the introduction to the Scottish Parliament of the Gaelic Language (Scotland) Bill and as a consequence of Brian Wilson's subsequent letter to you dated 21 October which was sent to all Whitehall Departments.

The provisions in the Bill will establish the Gaelic NDPB (Bòrd na Gàidhlig) in statute, with responsibility to promote the Gaelic language, to prepare a national plan for Gaelic, and to work with Scottish public authorities in order to develop Gaelic language plans. Initially it was suggested that the Scottish Parliament might seek to apply the statutory duties in the Bill to bodies operating in reserved areas although this has not been the Executive's policy.

There have been discussions at official level at which colleagues have declared their willingness to work with the principles of the Bill, while taking into account the cost and practical issues involved. A voluntary approach is the right way forward, which the Executive has fully accepted. There will need to be further, detailed, discussions at official level to take account of the position of individual Departments but at this stage all that is needed is for Departments to make clear their willingness to work with the principles of the Bill and to engage in further discussions to that end.

The approach the Scottish Executive is taking is to welcome the Government's support for the principles behind the policy they are pursuing to promote and protect the language and to support the case for a voluntary approach. The Executive also hopes that if individual UK bodies are approached in due course by Bòrd na Gàidhlig they will be prepared to explore with the Bòrd the scope for developing a Gaelic language plan, and to consider the possibility of delivering services in Gaelic.

This seems to me to be a reasonable approach. We must be mindful of the cost implications but we should support the principle that underpins the Bill which is to move the Gaelic language more into the mainstream and thus promote its continued growth. How to do that, and when to do so will depend on individual considerations.

I am copying this letter to members of the Cabinet and to Sir Andrew Turnbull.

Yours

Ad

ALISTAIR DARLING

182263

1 November 2004

The Rt Hon Jack McConnell MSP
First Minister
Scottish Executive
St Andrew's House
Regent Road
Edinburgh EH1 3DG



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Foreign &
Commonwealth
Office

London SW1A 2AH

From the Foreign Secretary

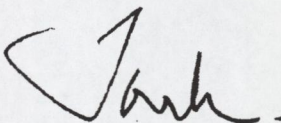
Dear Jack,

Thank you for your letter of 6 October, enclosing a copy of the Scottish Executive's International Strategy. I found it a useful articulation of your future priorities outside Europe, and how these will support your domestic priorities. I wish you well with implementing it.

I know that my officials and yours have discussed the importance of working together at all stages – from planning to delivery and follow-up – to deliver mutually beneficial outcomes in our international work. We need to continue the close co-operation that this Office and the Scottish Executive have enjoyed over the past few years. This has been instrumental in helping us jointly to promote both Scottish and wider UK interests to date. I am sure that this will be the case in your work in China and India, as it has been in the USA.



I am copying this letter to the Prime Minister, Alistair Darling,
Patricia Hewitt, David Blunkett, Tessa Jowell, Margaret Beckett, John Reid,
Paul Murphy, Charles Clarke, Peter Hain, Hilary Benn, Douglas Alexander,
Rhodri Morgan and Sir Andrew Turnbull, and to Jim Wallace, Tom McCabe
and Margaret Curran.

Yours ever,


JACK STRAW



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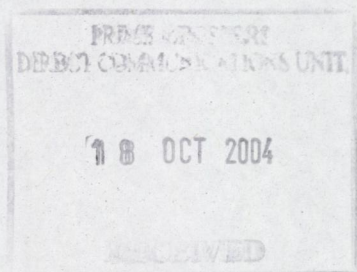
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The Rt Hon Jack McConnell MP
First Minister
The Scottish Executive
St Andrew's House
Regent Road
EDINBURGH
EH1 3DG

Copy to Anne Armstrong



13 October 2004

Mr Jack,

GAELIC LANGUAGE BILL

I am replying to your letter of 29 September advising me of the introduction of the Gaelic Language Bill to the Scottish Parliament.

We will continue to work constructively alongside Whitehall and Executive colleagues to explore how Government departments might be willing to support the principles behind your policy of promoting and protecting the Gaelic language. Your officials have recently discussed a range of issues around the Bill and I suggest that these discussions continue so that issues such as costs and the nature of any commitment by UK departments can be further considered.

Against the background of demand, the costs and other practical issues it is of course important to be realistic about the approach to Gaelic which Whitehall Departments can reasonably take and in that context I welcome the approach taken in your letter.

I am copying this letter to the Prime Minister, John Prescott, Gordon Brown, Charlie Falconer, Jack Straw, David Blunkett, Margaret Beckett, Hilary Benn, Alan Johnson, John Reid, Geoff Hoon, Paul Boateng, Patricia Hewitt, Charles Clarke, Tessa Jowell, Paul Murphy, Peter Hain, Alan Milburn, Sir Andrew Turnbull, and Peter Peacock.

Yours sincerely
AL

ALISTAIR DARLING



SCOTTISH EXECUTIVE

Minister for Finance & Public Service Reform
Tom McCabe MSP

St Andrew's House
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Rt Hon Gordon Brown MP
Chancellor of the Exchequer
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OT/ October 2004

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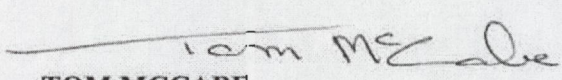
Dear Gordon

SCOTTISH EXECUTIVE's TAX PROPOSALS FOR BUDGET 2005

As you make your preparations for your 2005 Budget, I would ask that you consider the proposals of the Scottish Executive. Thirteen proposals are attached as annexes to this letter. These are consistent with the policy aims of the Scottish Executive and enjoy a wide degree of support within government.

I would highlight in particular the proposal regarding the tax treatment of University spin-out companies (Annex N). I know that Jim Wallace, Deputy First Minister, is particularly interested in this issue and has previously had direct correspondence with HM Treasury.

I have copied this letter to Alastair Darling, Secretary of State for Scotland, Jack McConnell, First Minister of Scotland, Ivan Rogers in No.10 and to the Private Secretaries of members of the Cabinet.

Best wishes

TOM MCCABE

BUDGET 2005: TAX PROPOSALS

OVERVIEW OF PROPOSALS

ANNEX B

Enhance Childcare element of Working Tax Credit

ANNEX C

Reduce VAT on Repairs to Listed Buildings

ANNEX D

Reduce VAT Rate for Building Repair and Maintenance

ANNEX E

Reduction of UK Duty on Scotch Whisky

ANNEX F

Increase Tobacco Duty

ANNEX G

Freeze Fuel Duty for Heavy Goods Vehicles

ANNEX H

Partially Exempt Regional Airports from Air Passenger Duty

ANNEX I

Extend the Continued Availability of Shipbuilders Relief

ANNEX J

Zero VAT rating on Ski Uplift Mechanisms

ANNEX K

Reduce VAT on Expenditure under Schemes Encouraging Greater Collaboration Between Central and Shared Services in Higher Education Institutions

ANNEX L

Tax Relief of PFI Bid Costs

ANNEX M

Tax Incentive to Encourage Equity Investment in Urban Regeneration Companies

ANNEX N

Exemption of University Spin-Out Companies from Schedule 22 of the 2003 Finance Act

BUDGET 2005: TAX PROPOSALS**ENHANCE CHILDCARE ELEMENT OF WORKING TAX CREDIT**

The childcare element of Working tax credit currently pays for up to 70% of registered childcare costs for a maximum of two children. We recommend increasing this to 100% for families on very low incomes, and lone parents moving from benefits into work.

Rationale

Cost of childcare can still be a significant barrier to people moving from welfare benefits into employment. Research into parents' demand for and access to childcare in Scotland found that a significant proportion of lone parent families were unhappy with their decision not to work – this decision is complex and relates to financial circumstances, availability and cost of childcare, and parental preferences in child upbringing.

Working tax credit (including the childcare element) is intended to make work pay for low and middle income parents, but for those on the lowest incomes, perhaps just returning to the labour market and having little experience/qualifications, 30% or more of the cost of childcare will still have to be funded, in addition often to losing benefits such as housing benefit, free school meals etc. This can mean that moving into work is unattractive, making it difficult to break the cycle of poverty and benefits dependency.

Benefit for UK: will help promote work and opportunity, achieve 70% target of lone parents into employment and tackle child poverty.

Benefit for Scotland: contribute towards growing the economy, and giving every child the best start in life.

Revenue Implications

Based on April 2004 statistics from the Inland Revenue, 21,100 single parent households receive the childcare element, which averages £46.28 per week. On a simplistic basis, if this represents 70% (which it doesn't necessarily), then the full 100% cost for *existing lone parent recipients* would be £72.5m per annum, an additional annual cost of £21.8m (Our initial calculations suggest that this cost could be, depending upon the success of the policy, offset by savings on benefit payments and additional Tax and National Insurance revenues). For lone parents currently on benefits, the cost would be offset by savings in benefit payments and taxation and national insurance contributions from both employee and employer.

General considerations:

- Effectiveness/value for money – cost effective. The more people who are encouraged back into work the more cost effective this policy will become.
- Macroeconomic implications (e.g. for prices) – Scotland faces an aging population and declining workforce. Increasing labour market participation offers the possibility to offset some of the potentially negative macroeconomic impacts flowing from these adverse demographics.
- Sectoral, environmental, distributional/equality, health impact – promote equality of opportunity, since most lone parent families are headed by women

- Administrative and compliance costs - unknown

Recommendation

We ask that the childcare element of working tax credit be enhanced in order to promote the support of lone parents and low income families into employment, which will help achieve Scottish Ministers' objectives of growing the economy and giving every child the best start in life.

BUDGET 2005: TAX PROPOSALS**REDUCE VAT ON REPAIRS TO LISTED BUILDINGS**

Repairs to listed buildings are taxed at the full rate of 17.5% while new-build and alterations are zero-rated. The proposal is that the reduced rate on VAT should apply to repairs to all listed buildings. It is supported by both Historic Scotland and the Scottish Executive.

Rationale

The present tax regime encourages alterations rather than repair. A tax neutral scheme would encourage repair, thus helping to preserve the architectural character and historic value of listed buildings, and promoting sustainability. Listed buildings make a significant contribution to the historic environment, which is a major contributor to the UK tourism industry.

Revenue Implications - not known.

Other Considerations

The proposal would be likely to gain support from DCMS. There continues to be a vocal campaign by the whole heritage sector across the UK in support of this proposal. A reduction would be very warmly welcomed and would benefit the owners of 47,000 listed buildings in Scotland as well as leading to enhanced protection of the built heritage for the benefit it offers to all.

The proposal has been put forward by Scottish Ministers previously.

We are aware that the discussions on the EU Sixth VAT Directive have stalled completely and that the whole future of the review is currently unclear.

We believe that it is very important to encourage owners to carry out repairs on historic buildings for their intrinsic value to the community. It is clear that the heritage sector will continue to lobby government heavily on what it regards as an anomaly in the VAT regime and a disincentive to the repair and maintenance of our historic building stock.

A neutral VAT scheme between repairs and alterations to listed buildings would support the Scottish Executive's policies for the built heritage, keeping it in good order as a contributor to the tourist industry, because of its contribution to sustainability, and its contribution to the quality of life.

Recommendation

We recommend that repairs to listed buildings should be subject to the same reduced rate of VAT as alterations. This would help preserve UK's and Scotland's built heritage.

BUDGET 2005: TAX PROPOSALS

REDUCE VAT RATE FOR BUILDING REPAIR AND MAINTENANCE

Rationale

Currently new-build housing benefits from a zero VAT rating unlike the repair and maintenance of an *existing* development. Introducing a new lower rate for repair and maintenance paid for, at least in part, by moving away from zero rating for new build would assist with maintenance of existing housing stock.

Budget Implications

Harmonised VAT rate could be set so as to ensure budget neutrality.

Other Considerations

At the margin the change would improve the feasibility of renovating existing sites vis-à-vis new build developments on green field sites.

Recommendation

We ask that HM Treasury harmonise this VAT rate.

BUDGET 2005: TAX PROPOSALS**REDUCTION OF UK DUTY ON SCOTCH WHISKY**

We would like to see a fairer system of UK duty, through seeking a 4% duty cut relative to other drinks such as beer and wine as well as a review of the wider tax burden.

Rationale

A cut in duty would secure better trading conditions around the world and boost the competitive position of the UK spirits industry, with potential in Scotland for increased productivity and employment. A duty cut would recognise the historically higher taxes on the alcohol content of spirits compared with other drinks and ensure a level of fairness that the spirits industry has been lobbying for years. There are no obvious environmental advantages or disadvantages.

Revenue Implications

Difficult to quantify although the industry thinks that by lowering duty this will increase revenue.

Other Considerations

A cut in duty has been requested by the industry and supported by the Scottish Executive for a number of years on the basis of support for business i.e. importance of whisky industry to the economy - Growing Scotland's economy - encouraging and supporting key manufacturing industries.

A duty cut could see lower prices, and a corresponding reduction in fraud and smuggling.

The imposition of tax stamps announced earlier this year by the Chancellor is a further burden on the spirits industry.

Recommendation

We ask that HM Treasury reduce duty on whisky by 4% relative to other drinks such as beer and wine.

BUDGET 2005: TAX PROPOSALS**INCREASE TOBACCO DUTY**

There should be a significant increase in real terms (at least 5%) in the duty on tobacco.

Rationale

Improving the health of the population and reducing inequalities in health are the key aims of health policy in Scotland. A reduction in smoking has a major part to play in achieving these aims. Mortality rates from coronary heart disease and cancer in Scotland are among the highest in the world and a high proportion of these deaths are linked directly to cigarette consumption. Smoking is also an important factor in the wide inequalities in health between the affluent and deprived. The burden of ill health associated with smoking also imposes considerable costs on the NHS.

Budget Implications – no estimates available**Other Considerations**

There have been concerns that continuing increases in the real price of cigarettes will encourage further increases in smuggling of tobacco products. In 2000 smuggling was estimated to account for 22% of the UK cigarette market, and there were concerns that this figure was on a strong upward trend. In the same year, however, the Government introduced a strategy for Tackling Tobacco Smuggling which was initially designed to slow the growth in tobacco smuggling, and then to put it into decline within 3 years. In the 2004 Customs and Excise annual report it was noted that the market in illicit share of smuggled cigarettes had dropped from 21% in 2000-01 to 18% in 2002-03 and was on course to meet its target of 17% by March 2006.

We would expect the Department of Health to give support to a proposal to increase the duty on tobacco products in real terms. The Home Office may have concerns about the possible effects on smuggling and the criminal activity that is associated with it. The Treasury's view is more difficult to assess. The fact that for the last 4 years they have increased tobacco duties only in line with inflation suggests that they have been concerned that any further real terms increase would simply give rise to a further rise in smuggling. However, the success of their anti-smuggling strategy may make Treasury more responsive to a proposal for a real terms increase in tobacco duties.

Recommendation

The Chancellor has acknowledged the important part that increases in the real price of cigarettes can play in reducing demand. However, there has been no real increase in the duties on tobacco since 2000, and this means that cigarettes have become more affordable because of rising incomes. The success of the strategy for tackling tobacco smuggling suggests that further increases in the real cost of cigarettes need not lead to a rise in smuggling. Given the contribution that reductions in smoking can make to improving the health of the Scottish population and reducing inequalities, we ask HM Treasury to consider the very strong case for implementing a significant real increase in tobacco duties in the 2005 Budget.

BUDGET 2005: TAX PROPOSALS

FREEZE FUEL DUTY FOR HEAVY GOODS VEHICLES

Rationale

Restraint on fuel duty rates will act as a benefit by not discouraging industry from using domestic freight operators.

Budget Implications – no estimate available

Other Considerations

DfT (Logistics) may be in favour of a fuel duty freeze. However, it is possible that DEFRA and environmental groups would oppose a freeze on fuel duty as they want to see the haulage industry (and private motorists) pay the full costs of travelling on the road network (i.e. including pollution and congestion).

The Treasury has announced that lorry road user charging should be offset by a reduction in fuel tax. In the long run, this may be the best way of both ensuring fair competition in the industry and addressing the environmental damage associated with lorry use. The industry are also awaiting Treasury announcements in November following the earlier postponement of the planned fuel duty rise.

Recommendation

We ask that HM Treasury consider a freeze on HGV fuel duty rates

BUDGET 2005: TAX PROPOSALS**PARTIALLY EXEMPT REGIONAL AIRPORTS FROM AIR PASSENGER DUTY (APD)**

An exemption from APD for the first three years for new direct international scheduled air services from UK regional airports. It would be restricted to those airports which had modified charging regimes to take account of local air quality impacts.

Rationale

This is in keeping with UK Government's wishes, contained in its White Paper – The Future of Airport Transport – to encourage the growth of regional airports in order to support regional economic development and to help reduce pressures on more over-crowded airports in the South East. In addition the UK Government considers that Route Development Fund (of the type operating in Scotland) could be helpful in establishing new services.

- 1 Encourage more direct routes from Scotland
- 2 Decrease journey time for business users
- 3 Make Scotland a more attractive destination – i.e. lower cost and reduced journey times – which will lead to an increase in inbound tourism
- 4 Relieve pressure on South East airports
- 5 Contribute to the sustainability of new air services

Budget Implications – no estimate available**Other Considerations**

DfT are pursuing the development of Route Development Funds in the English regions and Wales. DEFRA would take an interest because of air pollution implications.

Other considerations include how such a reduction in an aviation tax dovetails with the policy of making the aviation industry meet its external costs. However the reduction would only apply to regional airports where the operator has introduced a charging regime which proactively encourages airlines to reduce the environmental impact of its operations.

We are advocating an exemption from APD for new services out of Scottish airports but this could apply to all regional airports in the UK.

Recommendation

We ask that HM Treasury consider abolishing APD for the first three years of any new direct scheduled international air service from a regional airport.

BUDGET 2005: TAX PROPOSALS**EXTEND THE CONTINUED AVAILABILITY OF SHIPBUILDERS RELIEF**

Shipbuilders Relief (SR) is a 2% tax relief for shipbuilders which could be assumed in bidding for contracts and realised on deliver of completed vessels. John Healey, Economic Secretary to the Treasury (EST) announced on 12 January 2004 the abolition of Shipbuilders' Relief, in full and with immediate effect. SR will continue to be available for contracts placed on or before 12 January. The extension of continued availability from contracts in place to include bids underway would allow naval shipyards to proceed with bids for naval exports as planned. This would directly benefit the existing UK naval exporters such as BAE SYSTEMS Naval Ships on the Clyde and VT Shipbuilding at Portsmouth to try to supplement UK naval orders with overseas work.

Rationale

The impact on UK naval bids was revenue neutral but the industry viewed SR as a valuable aid in naval export markets and had been legitimately assumed to be available on bids underway. This could entail UK naval bidders either revising or withdrawing existing bids with overseas customers or assuming lower profitability. Around 2,400 employees at Scotstoun and Govan are reliant on naval orders in both the UK and overseas markets to secure or grow employment.

Revenue Implications

SR is contract related and therefore revenue implications are dependent on contract success. The latest contract being completed in BAE SYSTEMS' yards on the Clyde is for 3 Offshore Patrol Vessels for Brunei and still qualifying for SR will draw around £15m in total. Understood that 2 current contracts under bid by Scottish yards (BAE SYSTEMS Naval Ships) have assumed a total SR value of between £18 million and £22 million.

Failure by industry to secure contracts from bids underway would have little or no impact on government revenues/expenditure as the provision for claim of SR would not be realised.

Other Considerations

Jackie Smith wrote to John Healey earlier this year raising concerns about the way SR was withdrawn and the impact on existing bids for export work tabled in good faith.

The Chancellor announced in February last year that "...we are removing the last of the permanent, on-going subsidies for operating costs in coal, shipbuilding and steel...". In the 12 January 2004 statement EST gave the spirit of EC 1540/98 as the rationale for extending the abolition to all shipbuilding.

This is not a new tax measure but rather a request to phase the withdrawal of an existing provision to take account the impact on naval shipbuilders – to extend the continued availability for contracts in place on or before 12 January to include bids made on or before that date.

Recommendation

We ask HM Treasury that the continued availability of Shipbuilders Relief – a 2% contract related relief – be extended to not only apply to contracts in place on or before 12 January but also naval export bids already made. This would help sustain a strategically important

industry, assist the industry gaining export orders to help secure around 2,500 jobs on the Clyde and to mitigate the industry's reliance on domestic warship orders.



BUDGET 2005: TAX PROPOSALS**ZERO VAT RATING ON SKI UPLIFT MECHANISMS**

The proposal is to have a zero VAT rating on uplift mechanisms at outdoor Ski Centres. Given the reduction in snowfall, due to climate change, the ski industry is in a fragile position. If they were able to retain current price levels without charging VAT this would help their financial position.

Rationale

The Cairngorm Funicular is exempt from VAT on the grounds of it being a railway under the jurisdiction of Her Majesty's Railway Inspectorate, therefore considered to be transport. However, Cairngorm Mountain Ltd do have to charge VAT on tickets for people using the railway as a ski lift/tow. Those who travel on the railway who are not going to ski do not pay VAT.

The VAT status of the lifts is a significant financial issue for the 5 Scottish Ski Centres. For example, Glenshee is currently paying 17.5% on all uplifts, totalling some £40-50k per season. The zero rating would give a financial boost to an industry that is enduring a difficult period due to a reduction in annual snowfalls.

Revenue Implications

It will lower tax revenue. In relation to the Scottish Ski Centres, we would expect this to be less than £1 million, although further work would need to be carried out to determine the exact figure.

Other Considerations

Relevant legislation is Annex H of Council Directive 77/388 EC (the sixth Directive) which provides that the transport of passengers and their luggage may be subject to reduced rates of VAT. In the UK the VAT Act 1994 Section 30 Schedule 8 specifies that the transport of passengers in any vehicle, ship or aircraft designed or adapted to carry not less than 10 passengers shall be zero rated for VAT. The Act further states that zero rating will not apply to the transport of passengers in any vehicle to or from or within a place of recreation or amusement, or a place of cultural, scientific, historical or similar interest, by a person who supplies a right of admission to or a right to use facilities at such a place.

An appeal to the VAT Tribunal by Lecht Ski Co. Ltd was reported on 27 May 2003. In this case the appellants argued that if the chairlift system were viewed as transporting skiers then there was scope for the system to be deemed exempt or zero rated.

The appellants argued that although the chairs on the transport system carry a maximum of three passengers the vehicle transporting the passengers to the top of a ski slope was the motorised wire with the seats and hangers attached thereto.

In his deciding that the appeal should fail the Tribunal chairman ruled that the chair lift system could not be classed as a vehicle. It was conceded that transport in chairs could be classed as vehicular but since they were restricted to carrying less than 10 passengers they could not fall within the conditions for attracting zero rating. The appeal was dismissed.

In many EU countries chairlifts are deemed VAT exempt under EU legislation (the Sixth Directive). However, there has been no harmonisation of laws in this area and as such individual Member States are left with a degree of discretion in the implementation of the Sixth Directive.

Recommendation

WE ask HM Treasury to consider applying a zero rating to the uplift mechanisms, in line with other EU Ski Centres.

BUDGET 2005: TAX PROPOSALS**REDUCE VAT ON EXPENDITURE UNDER SCHEMES ENCOURAGING GREATER COLLABORATION BETWEEN CENTRAL AND SHARED SERVICES IN HIGHER EDUCATION INSTITUTIONS (HEIS)**

Work with the UK Government to create tax incentives to encourage higher education institutions to develop initiatives to share costs of central services.

Beneficiaries: Higher Education Institutions (HEIs)

Rationale

This will encourage HEIs to collaborate, develop shared services (in back office, administration and IT, payroll, estate maintenance, purchasing, etc.) , and encourage greater efficiency within the higher education sector. This would result in efficiency savings in a sector which is currently largely funded by public investment. This measure would encourage efficiency in the HE sector, and may result in shared benefit through shared procurement policies.

Revenue Implications

This measure will encourage greater efficiency in the higher education sector.

Other Considerations

This recommendation does not reflect current DfES policy, although encouragement towards greater internal efficiency in higher education institutions would support the Chancellor's position on the modernisation of public services.

This issue has been previously been considered by the Scottish higher education sector. The Scottish Higher Education Funding Council (SHEFC) provided a grant of 30k from its Strategic Change Grant in September 2002 to engage consultants to conduct a feasibility study into sharing services amongst six institutions (Glasgow, Glasgow Caledonian, Strathclyde, Edinburgh, Heriot Watt and Napier Universities).

The consultants (Price Waterhouse Coopers) concluded that there were efficiency savings to be made in sharing services in areas like payroll, estate maintenance, purchasing, but they also concluded that if HEIs developed shared services they would then need to charge institutions VAT on top of the cost of the service provided.

The main obstacle to the development of shared services, then, is a financial one. It results from the fact that if two or more parties come together to share service provision which was previously delivered internally, there is a VAT cost to that service provision to those parties to which it is delivered. Given the partially exempt nature of HEI's, a significant proportion of that VAT cost will be irrecoverable, making the potential cost savings of a shared service arrangement much less attractive and achievable.

PWC identified that this was a major barrier to progress and at their last contact with SHEFC, advised the problem over VAT was proving insurmountable. SHEFC were advised in March 2004 that it was unlikely that the consortium would proceed any further with this project.

This tax measure has not been proposed before although there has been pressure from higher education sector on this issue, and the British Universities Finance Directors Group (BUFDG) and the Higher Education Funding Council for England (HEFCE) are now preparing a paper on this issue for Treasury.

BUFDG's favoured solution to this problem is for Treasury to give consideration to the implementation of Article 13 A (i) (f) of the EU Sixth VAT Directive. Article 13 A deals with exemptions for certain activities in the public interest and is a mandatory exemption which the UK has not implemented in UK VAT legislation. Paragraph (f) cites the activities which would be exempt as "services supplied by independent groups of persons whose activities are exempt from or not subject to VAT, for the purpose of rendering their members the services directly necessary for the exercise of their activity, where these groups merely claim from their members exact reimbursement of their share of the joint expenses ...".

Recommendation

That Value Added Tax on services provided by shared and central service agencies developed by higher education institutions be waived, in order to encourage those institutions to work collaboratively, and to greater efficiency.

BUDGET 2005: TAX PROPOSALS

TAX RELIEF OF PFI BID COSTS

We would recommend offering tax relief on PFI bidding costs. This would enhance the level of competition for PFI contracts and hence improve value for money.

Rationale

If value for money is to be secured through the PFI, it is vital to ensure that there is a healthy level of competition for contracts. However, as noted in "PFI: Meeting the investment challenge", high bid costs for PFI projects are now becoming a significant deterrent to potential bidders:

"Undoubtedly, high bid costs and long procurement times can represent a concern for both the public and private sector, can impair delivery and value for money for the public sector and limit companies' capacity to bid for projects. Several companies have found that new technical guidance published by the Accounting Standards Board on how to account for pre-contract costs increased the impact of up-front costs. The guidance required some bidders to recognise as costs in the year incurred the expense associated with PFI bids, which previously they had been able to capitalise, and has increased the sensitivity of some companies to bid costs."

"The cost of bidding for PFI projects will always place some constraints on the private sector in its ability to bid for large number of PFI projects. HM Treasury's research into PFI companies suggests that the cost of bidding for PFI projects can be a consideration as important as the funding of an investor's equity and subordinated debt investments. In funding such costs, a key consideration for the private sector is its success rate in winning bids. Irrespective of success, however, the aggregate level of bid costs expended in a year does limit the number of bids a company can undertake in that year, usually determined by the overall financial capability of the contractor."

In response to these problems, the Treasury has proposed a number of measures such as increased contract standardisation and improvements to public sector procurement expertise. Whilst we recognise the value of such measures – some of which have already been implemented in Scotland – our experience suggests that they will be insufficient to counter the impact of the change in accounting treatment.

For example, we understand that some major bidders have taken strategic decisions to limit the number of bids to as little as two per year. Some have threatened withdrawal from bidding positions as they reach financial year end without a clear decision about preferred bidder status. Some companies are simply moving their sights away from PFI in favour of less costly bidding processes, e.g. conventional public sector work or commercial areas such as housing.

"PFI: Meeting the investment challenge" argued that the public sector should aim to "create an environment that encourages the private sector to bid for PFI projects, improving competition and delivering a stronger PFI market". It also notes that we should "continue to encourage new entrants into the PFI market, including firms currently active outside the UK".

We would endorse these aims, and believe that one of the most effective ways to achieve them would be to address one of the key deterrents to bidding – high bid costs. Whilst we have contemplated the idea of directly reimbursing bid costs, this strategy has a potential downside as it would significantly reduce the private sector's incentive to control these costs. We understand and share the Treasury's reluctance to subsidise bid costs, and the difficulty of introducing such a subsidy only for PPP contracts. So that is not our preferred solution. We instead believe that the simplest and most direct way of improving competition for PFI projects would be to offer tax relief on bid costs.

Revenue Implications

The gross cost to of this proposal would be difficult to calculate. However, the net cost of the proposal is likely to be negative. Firstly, provided that there is sufficient competition, reduced bid costs should lead directly to lower-priced tenders. Secondly, enhanced competition for PFI contracts should lead to more competitive bids, both in terms of cost and in terms of quality. It could encourage greater focus on design proposals, which currently suffers as an area of savings in bid costs.

Other Considerations

Other UK Departments are likely to be supportive, particularly those Departments with a significant PFI programme. As noted earlier, the Treasury PFU has also raised concerns about the impact of high bid costs. A wider benefit would be the easing of financial pressures on companies engaged in PFI, several of whom have encountered financial difficulties after entering the PFI market. In Scotland a number of regional construction companies have engaged in PFI consortia on a pooled basis, but are finding bid costs difficult to absorb and may withdraw on the basis of early experience. Tax relief would make a difference to their willingness to stay in this market. In general the well-being of the infrastructure support sector is vital to common policies in Scotland and elsewhere in the UK to modernise and improve the physical infrastructure on which public services depend.

A potential alternative budget measure would be to grant tax relief on specific aspects of bid costs. For example, the eligibility definition might be framed so as to ensure compliance with standardisation policies (i.e. standard contracts), which is presently proving difficult and costly in implementation.

The proposal would enhance the VfM of PFI projects through the generation of additional competition for contracts.

Recommendation

In the light of increasing concerns about the impact of high PFI bid costs and the accounting treatment of these costs, we would recommend that serious consideration should be given to offering tax relief on these costs. This would enhance the level of competition for PFI contracts and hence improve value for money.

BUDGET 2005: TAX PROPOSALS**TAX INCENTIVE TO ENCOURAGE EQUITY INVESTMENT IN URBAN REGENERATION COMPANIES (URCS)**

To reduce the tax payable by private sector firms committing to capital projects of URCs. The private sector would benefit from the lower tax rate but society would gain through a more successful urban regeneration project.

Rationale

Lenders will provide loan finance on the back of URC business plans. However while private sector loans provide funding for a URC they do not spread the risk inherent in the venture beyond the public sector. Were the private sector to instead take an equity stake in the project they would take part of the risk in return for a stake in the returns from the project. Second, equity partners can provide the project with additional input and expertise.

As far as the private sector is concerned there is currently a potential mismatch between the perceived and actual risks attached to regeneration projects. A reduced rate of tax on returns from an equity investment would lower the risk to the private sector and encourage a deeper participation in the project.

Revenue Implications

At this point it is not possible to estimate the actual impact on revenue. Should the measure increase company profits then the Exchequer would lose out from a lower marginal rate of tax on company profits generated from the project. However this loss could be more than compensated for by the increase in economic output (and profits) generated by the greater success of the venture.

Other Considerations

ODPM findings show that creating a favourable climate for the private sector is critical to the success of URCs. As part of the ODPM stock take of URCs in May 2004 consultees suggested improved tax concessions as part of Recommendation 5 – Certainty of Revenue Funding.

Currently business are allowed to deduct, for the purpose of calculating business profit, expenditure incurred on the making of contributions (in cash and kind) towards the running costs of a URC. However this concession has seen little or no take up suggesting alternative concessions should be considered. Tax relief is available for investment in new, independent higher risk companies through three venture capital schemes.

Recommendation

We ask HM Treasury to introduce tax benefits for private companies taking an equity share in URCs to increase their financial stake in URCs and, by association bring their expertise to bear on chosen regeneration ventures. This will help achieve the Scottish Executive's objective of regenerating run down urban areas

BUDGET 2005: TAX PROPOSALS**EXEMPTION OF UNIVERSITY SPIN-OUT COMPANIES FROM SCHEDULE 22 OF THE 2003 FINANCE ACT**

Schedule 22, introduced in April 2003, has discouraged universities and academics from forming new spin-out companies, thus hampering the commercialisation of research. Despite lengthy discussions with the Inland Revenue, and some alternative suggestions, universities throughout the UK have concluded that the best way to restore confidence in formation of their spin-out companies would be to exempt university spin-out companies from Schedule 22 and revert to the *status quo ante*.

The direct beneficiaries would be the universities themselves, and more particularly, their spin-out companies and their most entrepreneurial academics. More spin-out companies established by entrepreneurial academics, less burdened by taxes, would, of course, benefit the economy as a whole.

Rationale

Schedule 22 is designed to ensure that shares which are "*acquired by a person where the right or opportunity to acquire the securities (i.e. shares) is available by reason of an employment of that person or any other person*" are subject to income tax and national insurance if the shares are acquired at less than market value. Originally introduced as anti-tax-avoidance legislation the impact of Schedule 22 is much wider. Although university spin-out company activity was not the specific target, it is affected as the academic founders normally incorporate the company and would hold the majority of shares with some being held by both the University (as part of the deal for licensing in Intellectual Property) and the investors. The founders are likely to have paid either nothing or a nominal amount for their shareholding and thus, according to the Inland Revenue, have acquired their shares *by reason of an employment* and at less than market value. This undervalue therefore gives rise to a potential Schedule 22 income tax charge. Under PAYE rules, this income tax would have to be paid by the University, which then has to recover this from the relevant founder. The University would also be liable to pay Class 1 employers national insurance contributions (NIC) based on the undervalue. This NIC cannot be recovered from the founders at present and therefore is a cost to the University. Additionally, if the founder is no longer an employee of the University at the time of conversion, the University still remains liable to pay any income tax via the PAYE scheme, but may be unable to recover such tax from the founder.

University spin-out companies (USOs) are a key and growing element in the commercialisation of research and the creation of the knowledge economy, as shown in the table below (Source: Higher Education Business Interaction Surveys, HEFCE, 2002, 2003, 2004). The authors of the survey point out that turnover and income figures should be treated with caution, but the slight drop in the number of new USOs formed in the last year (2001-02) for which figures are available, and the declining income, suggest that the growth of USOs cannot be assured. Although Schedule 22 only came into force in April 2003, many universities and academics have already been discouraged from forming new USOs. This effect will not become fully apparent until data for the current and next financial years are collected, and the economic consequences will not be seen for several years.

UK University spin-out company numbers, staffing and turnover

	1999- 2000	2000-01	2001-02
Number established	203	248	213
Number still active which have survived at least 3 years	358	451	491
Estimated employment of all active firms (FTE)	5,801	10,710	12,165
Estimated turnover of active firms (£000s)	133,866	195,677	289,764
Estimated income to HEIs from selling shares (£000s)	38,000	30,000	14,000

Discussions between the Inland Revenue and the University Companies Association (UNICO) have produced a Memorandum of Understanding on a "safe harbour model" for the treatment of USOs which can defer tax payments until value of USO shares is realised. The most critical point about the safe harbour is that it does not remove the income tax or NIC problems created by Schedule 22, but delays both the calculation of the amount due and the payment thereof until some unspecified time in the future (of the academic founders choosing). The HEIs and their representative bodies Universities Scotland and Universities UK, have concluded that this is not sufficient to restore confidence in the formation of USOs. Since this is an issue which affects all UK universities equally, UUK, UNICO and the British Universities Finance Directors Group (BUFDG) are continuing discussions with the Inland Revenue on their behalf; however, they are now of the opinion that a solution within the Schedule 22 rules may well be unworkable, and that the best way to restore confidence in USOs would be simply to exempt them from Schedule 22. Failing this, the negative incentives of Schedule 22 could be off-set by tax relief such as that available under Enterprise Management Initiative (EMI) share option schemes.

Revenue Implications

It is very difficult to estimate the revenue implications of either continuing to apply Schedule 22 to USOs, or of exempting them from Schedule 22. If the formation of new USOs were unaffected by the application of Schedule 22, they would provide a substantial increase in revenue in the form of income tax. However, since Schedule 22 is deterring academics and HEIs from forming USOs, this gain will be greatly off-set by the declining number of new USOs. On the other hand, if the sale of shares in USOs were to revert to being treated as capital gains, although the amount paid by each USO in Capital Gains Tax would be less than the amount paid in income tax under Schedule 22, the number of new USOs would continue to rise, as would the Corporation Tax paid by the companies and the Income Tax paid by their employees. Therefore, the net gain in revenue from applying Schedule 22 to USOs may be substantially less than at first predicted, and may even be less than the revenue gained by returning to the *status quo ante*.

Other Considerations

Deputy First Minister has already written to the Chancellor expressing his concerns about the negative impact of this legislation and urging that a speedy resolution is found.

If, as suggested above, the likely effect of applying Schedule 22 to USOs would be a net reduction of revenue, and a stifling of the growth of this important part of research commercialisation, then other

UK Departments, especially the Department of Trade and Industry, and the Chancellor, might look favourably on exempting USOs from Schedule 22.

Restoring confidence in the formation of USOs, and encouraging their growth, would help deliver the following DTI PSA targets:

PSA 1: Demonstrate further progress by 2008 on the Government's long-term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness and narrowing the gap with our major industrial competitors.

PSA 2: Improve the relative international performance of the UK research base and increase the overall innovation performance of the UK economy, making continued progress to 2008, including through effective knowledge transfer amongst universities, research institutions and business.

PSA 6: Build an enterprise society in which small firms of all kinds thrive and achieve their potential, with (i) an increase in the number of people considering going into business, (ii) an improvement in the overall productivity of small firms

Recommendation

Schedule 22 of the Finance Act 2003 is discouraging the formation of University Spin-out companies. We recommend that such companies are exempted from Schedule 22, or that tax incentives are provided to off-set its negative effects. This would restore confidence in their formation, and help the Scottish Executive achieve its objectives of greater commercialisation of research and of stimulating the Knowledge Economy. The net gain or loss of revenue is hard to determine and may be less than predicted.



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AMCG
cc JLo
Pmcf

Peter Betts
Principal Private Secretary
Office of the Deputy Prime Minister
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SW1A 2WH

20 September 2004

Dear Peter,

When my Secretary of State met First Minister, Jack McConnell recently they both agreed that generally there was good co-operation between the Scottish Executive and Whitehall departments. However, they believed it was important to ensure that good communication continued at all levels between the Scottish Executive and the Government.

With this in mind, the First Minister has encouraged Scottish Ministers to maintain good bilateral relationships with their opposite numbers. The attached letter sets out some of the arrangements which the Scottish Executive will adopt in their contacts with the Government.

The Secretary of State for Scotland, Alistair Darling continues to represent Scottish interests within the Government. It would be helpful, therefore, if correspondence with Ministers in the Scottish Executive could be copied to the Secretary of State for Scotland. The Scotland Office stands ready to assist Whitehall departments in their relationships with the Scottish Executive. Please do not hesitate to contact this office for advice on matters relating to Scotland. Alternatively, Hugo Deadman, Head of Constitutional Policy branch (0207 270 6788) will be happy to discuss any issues colleagues might wish to raise with him.

I am copying this letter and attachment to Private Secretaries of Cabinet Ministers.

Yours
Jayne

JAYNE COLQUHOUN
Private Secretary



Scottish Executive

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23 August 2004

Dear Jayne

The First Minister has been taking steps to ensure that good communication channels are in place between Scottish Ministers and their counterparts in Whitehall. Communication is obviously a two way process, so I am writing to let you know what is in hand. It would be helpful if you could draw this letter to the attention of Whitehall colleagues.

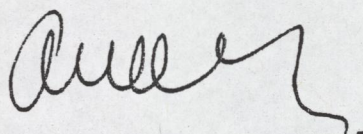
The First Minister has emphasised the importance of good communication at all levels between the Executive and the UK Government, and he has encouraged Scottish Ministers to maintain good bilateral relationships with their opposite numbers. In particular, he has asked them to make time for regular face-to-face meetings or teleconferences at least every six months, and to ensure there is regular contact by telephone in between.

He has invited Patricia Ferguson, our Minister for Parliamentary Business, to take strategic responsibility for liaison with Whitehall and she is the first point of contact for our Ministers on UK liaison matters. At official level, the UK Liaison team (the head of which is Ian Campbell on 0131 244 3242, e-mail ian.campbell@scotland.gsi.gov.uk) provides guidance and advice across all departments.

The First Minister also seeks to ensure consistency of approach to Ministerial correspondence with UK Government departments. Ministers will correspond directly with their opposite numbers in almost all cases, and this correspondence will be copied to the Secretary of State for Scotland. Incoming letters will be copied to the First Minister, Deputy First Minister and Minister for Parliamentary Business by our private offices so they are aware of the issues. They will also be copied in on replies. As a matter of course the First Minister would normally expect to write personally to the Prime Minister, Deputy Prime Minister, Chancellor of the Exchequer, Foreign Secretary, Lord Chancellor and the First Ministers of the other Devolved Administrations.

I hope this is helpful, I am copying this letter to Mike Anderson at DCA, Lawrence Conway at the Welsh Assembly Government, David Brooker at NIO and to Ian Fletcher in Sir Andrew Turnbull's office.

Yours sincerely



OWEN KELLY
Principal Private Secretary



Department for
Transport

From the Secretary of State

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23 AUG 2004

AMCG

cc: MEL
SF
Kef

Dear Lord Falconer,

I am writing to seek approval in principle from PD Committee for an Order in Council to be made under section 30(2) of the Scotland Act 1998 to amend Schedule 5 to that Act. The purpose of the Order is to extend the legislative competence of the Scottish Parliament and the devolved competence of the Scottish Ministers to enable the transfer of the rail functions presently exercised by Strathclyde Passenger Transport Executive (PTE) and Strathclyde Passenger Transport Authority (PTA) to the Scottish Ministers.

The Order will involve an amendment to the present exceptions to the reservation of rail transport in Section E2 of Part II of Schedule 5 of the Scotland Act 1998. As you will know, the provision and regulation of rail services is a reserved matter under this section; however, a number of exceptions to the reservation were made. An exception to the reservations in E2 was made so as to enable the Scottish Parliament to transfer the rail functions of a Scottish PTA or PTE to "public authorities in Scotland which may be set up wholly or mainly to exercise transport functions". The intention is now to widen this exception to include the Scottish Ministers as a party to whom the rail functions of a PTA and PTE may transfer.

Background

The widening of the exception has been sought by the Scottish Executive so as to permit the Scottish Ministers to fulfil their policy proposals for the specification and delivery of the ScotRail passenger rail franchise via the Transport (Scotland) Bill. On 16 June 2004, the Scottish Executive published

a White Paper entitled *Scotland's Transport Future*. This set out the Scottish Ministers' vision for a new strategic approach to transport in Scotland with the creation a new transport agency (an executive agency) for Scotland and a network of new regional transport partnerships. The Scottish Ministers intend to introduce a Transport (Scotland) Bill in the autumn of this year to make the necessary legislative changes.

The White Paper proposes that the national transport agency will take on responsibility for the Scottish passenger rail franchise, ScotRail, across all parts of Scotland. It is therefore the intention of the Scottish Executive to transfer the rail powers of SPTA/E to the Scottish Ministers and the non-rail powers to a new Regional Transport Partnership in the west of Scotland.

The devolution of competence - via this Section 30(2) Order - to enable the Scottish Parliament to transfer SPTA/E's rail functions to the Scottish Ministers will enable the Scottish Executive to bring forward an appropriate amendment to the Transport (Scotland) Bill at Stage 2 of the Parliamentary process. In order to achieve this, it is envisaged that the Order will complete the affirmative resolution process in the Scottish and Westminster Parliaments this autumn and be put before the Privy Council for approval at their meeting in December.

Proposal for a Section 30(2) Order

The Scottish Ministers wish to assume SPTA/E's functions in order to facilitate the delivery of the ScotRail franchise and permit a more strategic approach to the planning and delivery of transport services in Scotland. From 1st April 2004 the Scottish Ministers assumed full responsibility for funding ScotRail. This represents expenditure of some £250m annually. The current ScotRail franchise is due to end in October. The preferred bidder for the new franchise agreement - First Group - was announced in June. The Scottish Ministers have influenced the contents of the new franchise agreement in two ways.

First through the exercise of their executive power to provide the Strategic Rail Authority (SRA) with the funding necessary to support the contractual payments to the franchise operator under the franchise. Second through their power to give the SRA directions and guidance under section 208 of the Transport Act 2000. However, the Scottish Ministers have no formal role in relation to the direct specification of services to be provided by the franchise operator and they are not a signatory to the franchise agreement. This contrasts with SPTA/E's statutory role. Under section 34 of the Railways Act 1993 the PTE may specify the services in its area that it wishes to be included in the franchise agreement, and in doing so has the right to be a co-signatory to the franchise agreement.

The transfer of SPTA/E's rail functions to the Scottish Ministers will have the practical effect of removing the PTE's ability to specify services in the Strathclyde region. Instead this function will fall to the Scottish Ministers. It will also transfer the right to be a co-signatory to the franchise to the Scottish Ministers.

The Future of Rail White Paper

Members of PD will be aware of my announcement on 15 July of the White Paper, *The Future of Rail*, and the proposal to implement its proposals in new railway legislation at the earliest opportunity. It is the Government's intention that under the Railways Bill the Scottish Ministers will become the sole co-signatories to future ScotRail franchise agreements, and will have the right to specify all the services that are to be provided under the agreement. The Bill will also remove all PTEs' rights to be co-signatories to franchises. The functions to be conferred on the Scottish Ministers by the Railways Bill are therefore greater than those currently enjoyed by SPTA/E. Nevertheless, the Scottish Ministers wish to continue with this, present, Section 30(2) Order so as to ensure that SPTA/E no longer exercises rail functions, irrespective of the additional functions that may be conferred on the Ministers in due course by the Railways Bill.

I would welcome comments from members of PD on this proposal by Thursday 2 September. I recognise that this gives the Committee less time than they would normally expect to have to consider such a matter during the Parliamentary recess. However, it is necessary for the Order to be laid before Parliament on 9 September at the latest if the Executive is to be able to put the Order before the December Privy Council meeting.

I am copying this letter to the Prime Minister, members of PD Committee and Sir Andrew Turnbull.

PP *Scott Murr*

ALISTAIR DARLING

(*Approved by the Secretary of State
and signed in his absence by
the Principal Private Secretary*)



10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

21 July 2004

Dear Owen,

Thank you for your letter of July 2004 following up on the First Minister's meeting with the Prime Minister on 5 July.

As you say, respective diary secretaries are already in touch about the Prime Minister's visit to Scotland at the beginning of September. Sally Morgan's office will also be in touch to arrange a meeting with Jeane Freeman when she is next down in London.

I understand that Alasdair McGowan has responded separately in relation to the issue of Privy Councillor status for the Presiding Officer.

Finally, with regard to the question of a peerage for the Lord Advocate, the Lord Chancellor and Secretary of State for Constitutional Affairs have consulted at length with colleagues in the Scotland Office who advise that any peerage would need to be granted to the Lord Advocate on a personal rather than ex officio basis. The Prime Minister is happy to consider the case for such an appointment as and when the next list of working peers is decided.

Yours, Ivan

IVAN ROGERS

Owen Kelly
Scottish Executive



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The Rt Hon Peter Hain MP
Leader of the House of Commons
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AmcG

cc:cs
PineG

91 July 2004

Dear Peter,

DEVOLUTION ISSUES AND BILLS

I am writing further to your letter of 12th July about devolution issues in bills.

As your letter states, there are a number of mechanisms in place to identify matters relating to devolution prior to the introduction of bills. Officials across Government are therefore well sighted on devolution issues when preparing legislation. However, we must also be aware of the political sensitivities in the Scottish Parliament around Westminster legislating in devolved areas under the Sewel Convention. Therefore we need to remain mindful of the need to manage carefully the use of the Convention. I am in regular contact with the Scottish Minister for Parliamentary Business on issues in relation to issues in the legislative programme.

Furthermore, particular issues can arise over amendments in devolved areas where a bill was not previously subject to Sewel coverage or where the Sewel motion does not cover the subject of amendments to a UK bill. If the Scottish Executive agree to amendments in devolved areas, Scottish Ministers may need to lay a further Sewel memorandum before the Parliament or even a Sewel motion itself. This can lead to significant handling issues both at Westminster and Holyrood, especially if a bill has already passed through the first House at Westminster, since the presumption is that Sewel consent is obtained while a bill is in the first House.

We must therefore remain vigilant to the various sensitivities around legislating in devolved areas. My officials are always happy to provide advice on the Sewel Convention and its use.

I am copying this letter to the Prime Minister, other members of the Cabinet and LP Committee, to Jack McConnell and Rhodri Morgan and to Sir Andrew Turnbull and First Parliamentary Counsel.

Best wishes
Anne

ANNE MCGUIRE



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20 July 2004

D. Darling

JMC PLENARIES

Thank you for your letter of 6th June setting out your thoughts on the role of the Joint Ministerial Committee machinery.

You have set out a positive way forward. It is a mark of the success of devolution that we have not had to use the JMC Plenary to seek to resolve disputes. I have stressed the importance of bilateral contacts since I became Secretary of State and I share your sense that we should focus on these at all levels to continue to make sure we are working in concert. I agree, however, that having the JMC Plenary mechanism as a backstop is useful to address any difficulties that arise. I will, of course, maintain my own regular bi-laterals with Jack to discuss matters of mutual interest.

I am copying this letter to the Prime Minister, Paul Murphy, Jack McConnell, Rhodri Morgan and Sir Andrew Turnbull.

Yours

ALISTAIR DARLING

ALISTAIR DARLING



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*Ang
aces
APPS*

RESTRICTED: APPOINTMENTS

Alasdair McGowan Esq
10 Downing Street
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SW1A 2AA

12 July 2004

Dear Alasdair,

PRESIDING OFFICER OF THE SCOTTISH PARLIAMENT

Mike Anderson copied to me his letter of 2 July indicating that Lord Falconer supports the suggestion that the Presiding Officer of the Scottish Parliament be made a Member of the Privy Council and also supporting a consequential proposal that the Presiding Officer of the National Assembly for Wales should also be made a Member. My Secretary of State has asked me to confirm that he also supports these proposals on the grounds that the Presiding Officer's membership of the Privy Council would be another important step in binding the new devolved institutions into the constitutional structures of the United Kingdom.

I am copying this letter to Simon Morris (Wales Office), Mike Anderson (DC) and Ian Fletcher (Cabinet Office).

*Yours sincerely
Jayne*

JAYNE COLQUHOUN
Private Secretary

RESTRICTED - POLICY



Scottish Executive

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July 2004

IR
cc
Ang
CS

The First Minister was very grateful to the Prime Minister for sparing so much of his time to see him last Monday. He found the meeting very useful and hopes that the Prime Minister did so too.

I understand that Mr Blair and Mr McConnell agreed to follow up their discussions over dinner when Mr Blair is in Scotland towards the end of August. I imagine this dinner would follow one or two public engagements. The First Minister's diary is already looking pretty full for that period and I expect the Prime Minister's diary is as well. It would therefore be useful to identify a date as soon as possible and I understand respective diary secretaries are in touch about that.

The First Minister has, meanwhile, asked me to mention one or two things that give him continuing concern but to which the conversation did not turn on Monday.

He wrote some time ago to the Prime Minister about the question of a peerage for the Lord Advocate, Colin Boyd; and the question of whether the Presiding Officer of the Scottish Parliament, George Reid, should be made a Privy Councillor. He will wish to discuss these matters with the Prime Minister at the end of August if they cannot be resolved before then; but he hopes very much that they can be concluded satisfactorily before that meeting. It would be useful to have an update on progress before too long, to give us an idea of whether that is a realistic expectation.

He also recalls that the Prime Minister asked specifically that Sally Morgan and Jeane Freeman keep in close touch, between direct meetings between the First Minister and the Prime Minister, to ensure that early notice of emerging issues is given and that the meetings cover the right ground when they happen. Unfortunately, it has not been possible for Jeane to make contact with Sally, despite her best

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efforts. I would welcome your advice on whether there are steps that could be taken to facilitate these contacts in future. Jeane is now on leave for a few weeks so if we could clarify this before she returns, that would be very helpful.

If I can be of any assistance, please get in touch. If I am leave, as I will be for the next two weeks please speak to Karen Watson..

OWEN KELLY
Principal Private Secretary

RESTRICTED - POLICY

RESTRICTED - APPOINTMENTS

From: Alasdair McGowan

Date: 8 July 2004

PRIME MINISTER

Cc: Jonathan Powell
Ivan Rogers
Sally Morgan
William Chapman

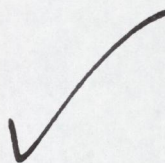
PRIVY COUNCIL

Jack McConnell has asked whether George Reid MSP, the Presiding Officer of the Scottish Parliament, could be made a Privy Councillor. Jack feels that this would assist him in his formal dealings with the Presiding Officer as he would be able to discuss matters on Privy Council terms.

DCA advise that there is no problem with this. However, we would also need to give Lord Elis-Thomas, the Welsh Assembly's Presiding Officer, the same status. Rhodri and the Wales Office are content with this.

Both appointments would be made on an individual rather than an ex officio basis so as to avoid a precedent which might prove sensitive in the context of the Northern Ireland Assembly as and when it is up and running again.

On this basis, are you content with these two appointments? If so, William Chapman will write to Sir Robin Janvrin to seek the Palace's informal approval before starting the formal process.



A handwritten signature in dark ink, appearing to read 'Alasdair McGowan', located below the checkmark.

ALASDAIR MCGOWAN

RESTRICTED - APPOINTMENTS

02072108597



Department for
Constitutional Affairs
Justice, rights and democracy

A M.G.

CC 580
BM

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Alasdair McGowan
10 Downing Street
London

23 July 2004

Daw Alasdair

Presiding Officer of the Scottish Parliament

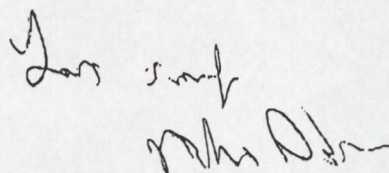
My Secretary of State has given further thought to Jack McConnell's letter of 2 December to the Prime Minister concerning, inter alia, a proposal that the Presiding Officer of the Scottish Parliament be made a member of the Privy Council.

He does not see any strong reason as to why the Presiding Officer of the Scottish Parliament should not be made a member of the Privy Council. Such a move could strengthen the devolution settlement as it could be seen as binding the Presiding Officer within the wider institutions of the United Kingdom. My Secretary of State therefore supports the suggestion that the Presiding Officer of the Scottish Parliament be made a member of the Privy Council.

It is clear that a precedent would be established in Scotland by this appointment. Thought would need to be given to the extent to which this move would send signals that it should become the established custom that the Presiding Officer of the National Assembly for Wales also be made a Privy Councillor. I understand that neither Peter Hain nor Rhodri Morgan would see any difficulty with the Presiding Officer at the National Assembly being made a member of the Privy Council – in fact, they would actively support such a move in Wales on the basis that there otherwise be a disparity between the two devolved legislatures. My Secretary of State supports that view.

02072108597

I am copying this letter to Jayne Colquhoun (Scotland Office), Simon Morris (Wales Office and Ian Fletcher (Cabinet Office).



MIKE ANDERSON



dca

Department for
Constitutional Affairs
Justice, rights and democracy

MATRIX

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Alasdair McGowan
10 Downing Street
London

2 July 2004

Dear Alasdair

Presiding Officer of the Scottish Parliament

My Secretary of State has given further thought to Jack McConnell's letter of 2 December to the Prime Minister concerning, inter alia, a proposal that the Presiding Officer of the Scottish Parliament be made a member of the Privy Council.

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I am copying this letter to Jayne Colquhoun (Scotland Office), Simon Morris (Wales Office and Ian Fletcher (Cabinet Office).

Jayne Colquhoun
Simon Morris

MIKE ANDERSON

RESTRICTED

From: Alasdair McGowan
Date: 1 July 2004

PRIME MINISTER

Cc: Jonathan Powell
Sally Morgan
Pat McFadden
Kate Garvey

MEETING WITH JACK McCONNELL, MONDAY 5 JULY

Jack is paying a courtesy call on Monday. He will want to discuss two general issues:

- **General Election**

Alastair Darling is in charge of General Election planning for Scotland although Jack will have a hugely important role. Jack may want to discuss how we approach this from a strategic point of view and ensure that we coordinate political messages e.g. on choice. We have been keeping Jack's people abreast of timetables for the 5YPs and we have been liaising over Manifesto planning as well.

- **Links with Number 10**

Jack wants links with Number 10 to be more formalised. At the root of this are more specific concerns.

Visits

Jack is probably feeling a bit unloved. We had to pull you out of the Scottish Gala Dinner last year at short notice but this was because you had to attend the European Council discussions on the European constitution. Jack was also unhappy when we pulled you out of chairing the annual plenary session of the Joint Ministerial Committee in Edinburgh. We did this because the JMC meetings are ultimately pointless and nothing of any substance gets discussed. We feel it is a better use of everyone's time for you and Jack to do more visits and have more bilaterals together where you could talk more freely. *Kate Garvey is currently looking at scheduling some visits with Jack around your visit to Balmoral. You may also want to offer more regular bilaterals but you should stress that this ultimately has to be subject to diary pressures. More*

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- 2 -

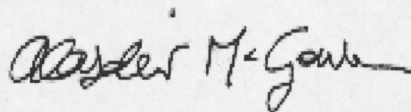
generally, it is worth stressing that we did lots of visits in the run up to the Scottish Parliament elections but inevitably the focus post 2003 has been on the English local elections. We will obviously be doing more visits to Scotland in the run up to the next General Election.

Correspondence

Jack is concerned that he is still awaiting a response to his letter requesting (1) that the Scottish Parliament's Presiding Officer, George Reid, be made a Privy Councillor and (2) that the Lord Advocate, Colin Boyd QC, receives a peerage.

You should tell Jack that you are sorry this has taken so long to resolve but the response got held up because Lynda Clark had objected to the peerage for Colin Boyd and Alastair Darling needed time to sort this politically. We have no problem with making George Reid a Privy Councillor, but Alastair Darling is saying that Colin Boyd would have to be made a working peer rather than an ex-officio peer in order to keep Lynda Clark quiet. We don't know when the next list of working peers will be and we need to give priority to people who will be able to turn up and vote regularly. So we will of course consider Colin Boyd but we can't make any promises at this stage.

Jack also wrote recently to ask you to intervene on his behalf in his row with HMT over the security costs of the G8 Summit next year in Gleneagles. I had a word with HMT to help broker a holding line for the announcement on the venue which the Scottish Executive were happy with. But to be honest, Jack's fairly strident letter made the issue harder to resolve, as it simply put GB's back up. *This is a clear case of where it does not help to keep things formal as Jack wants. You should encourage Jack's people to pick up the phone rather than write in such cases. Informal contact is often more effective.*



ALASDAIR MCGOWAN



Scottish Executive

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Foreign and Commonwealth Office
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30 June 2004

AMC

CC NS
MR
KD
JPO
DQ
GC
LL

Dear Jack,

As you know, I am increasing the emphasis that Scottish Ministers place on effective promotion of Scotland's international image. This letter outlines the steps I plan to take, and seeks the continued cooperation of the FCO and its overseas Posts.

I am grateful for the work the FCO has been carrying out since Devolution to promote Scotland overseas. UK Trade & Investment and the British Council, as well as overseas Posts, have been involved in this activity. I have been grateful too for advice and assistance from Posts in arranging overseas visits by Scottish Ministers, such as the support of Sir John Holmes and his team in Paris when I attended the launch earlier this year of the Scottish part of the Entente Cordiale centenary programme. I hope that Posts have in turn found they are able to use Scottish-themed events as opportunities to attract media interest in their activities and in the UK as a whole.

I now want to intensify our devolved government's work in promoting Scotland's international image.

We have refreshed our knowledge of how Scotland is seen, by conducting research and consultation overseas and domestically. I enclose a copy of the main findings. A key point is that overseas perceptions of Scots are primarily positive but that perceptions are rooted in the past.

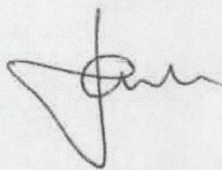
To address this, on 1 July I will announce plans for a new campaign to promote Scotland overseas. This will include in-country activities, online marketing and a new web portal, advertising, new promotional materials and a "virtual news agency" as a source for positive stories about Scotland. We will build up this activity over the summer months so that we can take full advantage of international attention on Scotland coinciding with the opening of the new Scottish Parliament building in October.

It is important to emphasise however that this will be a project lasting years rather than months. We will initially be working to a 3-year campaign plan and we shall fully involve the FCO.

I am conscious of the resource pressures that Posts are under, and I should stress that our agenda is not to add to them. Rather, I plan that we should work with public bodies in Scotland to provide more targeted and more substantial support to Posts involved in promoting Scotland overseas. We will aim to supply more material, clear and consistent promotional messages and sustained back-up. I hope in turn that you will continue to encourage Posts to work with us, as part of their overall work of public diplomacy on behalf of the UK as a whole.

Two particular aspects of our thinking might be worth mentioning at this stage. The first is the calendar of notable dates in the year around which promotional activity can be built. St Andrew's Day and Burns Night both fall in the winter, at least in the northern hemisphere, leaving us with large chunks of the year with no excuse for celebrations. We are looking at creating opportunities for such activity during the rest of the year, perhaps around 1 July - 'Devolution Day'. The second is the increasing use of Saltires, both as a national symbol in our promotional materials but also as a flag to be flown whenever Scotland needs to be recognised in some way. Both of these will, I hope, be supported by Posts in due course.

I am copying this letter to the Prime Minister, Alistair Darling, Patricia Hewitt, David Blunkett, Tessa Jowell, Hilary Benn, Mike O'Brien and Sir Andrew Turnbull; and to Jim Wallace and Andy Kerr here.

Best wishes


JACK MCCONNELL

Office of Chief Researcher, Office of Permanent Secretary

Scotland's International Image
Findings from Consultation & Research

Prepared by:
Communications & Strategic Research Team

How do people perceive Scotland?

- Scotland was not perceived, domestically or internationally, as a country offering business opportunities.
- Scotland's education system was recognised by Scots as a potential 'selling point'.
- International perceptions of Scotland were traditional and rooted in the past.
- Perceptions of Scottish people were primarily positive internationally and generally more forward-thinking than perceptions of Scotland's capabilities in areas such as business.

What are the implications for Scotland and its future image?

- There was support for the need to actively promote Scotland to enable it to reach 'contender' status.
- There was acknowledgment that Scotland should be taken more seriously and seen as more than a tourist destination or somewhere 'to have a good time' and then leave.
- The fact that Scotland has good accessibility of outdoor pursuits could be used to help promote the broader work/ life balance and enhanced quality of life that Scotland offers.
- Education standards, ease of access (transport infrastructure), modern architecture, city life and recent advances in some fields of technology were seen to be key attractive aspects of Scotland.
- In promoting Scotland, there was a perceived need to connect the past with the present (and the future) to avoid losing the distinctiveness of Scotland.
- Those in the international media held the view that Scotland should promote the assets which make it a modern nation:
 - Coherent sense of national identity;
 - Agile small country;
 - A culture which can be experienced.

What are the potential triggers for affecting perceptions and attitudes?

- The effectiveness of promotional material to raise Scotland's international image is likely to depend on the specific market and the country in question. For example, education, cities, ability to achieve work/life balance were most attractive attributes to younger people.
- Transport infrastructure and capacity for hosting events were attractive features for those in business communities.
- Building upon people's knowledge of Scotland and greater exposure to its people are likely to be more effective in changing perceptions.

Introduction

The purpose of the research and consultation exercises was to assess the feasibility, and inform the development, of a strategy for raising Scotland's international image.

The approach comprised three broad strands of investigation. All strands of the work included use of creative stimulus designed to help raise Scotland's international image. The three strands can be summarised as follows:

- **Strand 1:** Initial consultation with international 'media players/ opinion formers' – conducted by Barkers advertising agency;
- **Strand 2:** Initial consultation with the general public overseas (international consumers) – conducted by The Union partners; and
- **Strand 3:** Formal research with the general public in Scotland and England – conducted by TNS System 3.

Key findings by objective are detailed below:

Main Findings

Objective: To further develop our understanding of how people view Scotland

In Scotland

- Scots perceived themselves as a recognisable nation although there were conflicting views within this, with Scots seeing themselves as reticent and humble and yet proud.
- Also, there was divergence as to how Scots see themselves and believe others perceive them.
- These findings broadly confirm those of Project Galore¹.

In England

- Views of Scotland fell into two broad categories namely 'people' and the 'physical environment'.
- Some dichotomous views emerged: peaceful versus lively, country versus city.
- Although there was some awareness of the education system (seen as different and highly regarded), notably there were no economic associations or mention of opportunities or indeed the working population.

The international markets

- Overall Scotland was perceived as having a very positive and distinctive image, a finding consistent across all markets, and with Project Galore and other relevant research exercises.
- However, awareness and knowledge of Scotland internationally were usually related to images and icons rooted in the past rather than contemporary Scotland. These can be grouped under two themes: landscape/ the colour green and tradition/history.
- As a result, Scotland was not rated as a 'place to do business' in global terms.
- Overall, international consumers held a mainly positive perception of the Scots, although some traditional stereotypes emerged.
- Not surprisingly, personal experience of Scotland and Scots appeared to be a strong influencing factor in forming perceptions.
- Word-of-mouth recommendation was reported to raise positive perceptions of Scotland. This is reflected in other research. Other influences reported were films and literature.

Within perceptions of Scotland, we were interested in how people perceive modern and successful countries and to investigate how Scotland fared in this comparison. The main findings are as follows:

In England

- Scotland did not meet English perceptions as to what constitutes a 'modern' country.
- Positive attributes for Scotland were recognised as being its people, natural beauty and culture.

The international markets

- Among international opinion formers, Scotland was reported to possess some of the attributes of an 'interesting/ newsworthy' country – with identifiable people and authentic tradition.
- There was some recognition of Scotland's 'global potential' as a small, flexible nation – this is confirmed by other research.
- Among international consumers, Scotland was not perceived as 'a place to do business' or indeed to be on the economic agenda.
- Generally, Scotland's capability as a location for hosting events was not widely recognised.
- Although, Scotland was recognised as a potential holiday location this only tended to be for short breaks.
- The weather was the main barrier to relocation followed by the image of Scotland as economically underdeveloped – a finding confirmed by other research.

Objective: To assess the reactions of people in Scotland towards raising Scotland's international image

In England & Scotland

- There were no major differences between the responses in Scotland and England on this issue. The groups in both England and Scotland believed that Scotland needed to be promoted to reach 'contender' status in terms of competing with other countries, particularly for people to consider relocating to Scotland. (Attitudes were somewhat more reserved amongst the lower socio-economic groups and older people.)

- A potential role was seen for politicians in engaging commerce in any work around building Scotland's image. The potential role of celebrity was not felt necessary.
- One suggestion to consider was to secure business testimonials from successes in Scotland. This corresponds with the experience of international participants where personal contact was a strong influencing factor in deciding to visit.
- Overall, among international participants, the promotion of Scotland was thought to be important in order for it to be considered a 'contender', supporting the findings in the UK.

Objective: To identify the triggers for changing or building upon these perceptions

Participants in each strand of investigation were shown a range of stimulus materials depicting a modern and successful Scotland.

In considering the potential of materials like these to enable a change in perceptions, the following conclusions can be drawn:

- In Scotland and England, respondents were generally encouraged by the material and expressed strong views that Scotland needed to be promoted to reach 'contender status'.
- Internationally, the material was recognised as depicting a different Scotland from the one imagined by participants, particularly in relation to the size and scope of Scotland. Some respondents reported feeling reassured that Scotland should and could be taken seriously and was in a position 'to do business' with the rest of the world, although Scotland would not rank highly when compared with other countries.
- However, whilst respondents were able to acknowledge the divergence in perceptions, the majority still did not fully accept the new images or in some cases believe the image to be true. Furthermore, not all respondents welcomed this change, preferring the image of the Scotland 'they knew'.

In summary, the extent to which participants were willing to have their perceptions changed was often related to the market being considered, cultural identification with Scotland, previous experience of Scotland and life-stage of the participants. For example, attitudes appeared to be more amenable in relation to education and Scotland as a place to live and work, and amongst students.

i In order to provide greater context to the findings, comparisons have been drawn with other relevant international research where possible and appropriate:

Project Galore – CLK Research (now Corporate Edge) carried out relevant research in 1998. Eight two-hour focus groups were conducted in each of England, France, Germany, Spain, US, Japan and Scotland. A further eight one-hour business depth interviews were held in each country (20 in Scotland).

If you wish further copies of this Research Findings or have any enquiries about social research, please contact us at:

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This document (and other Research Findings and Reports) and information about social research in the Scottish Executive may be viewed on the Internet at: <http://www.scotland.gov.uk/socialresearch>

The site carries up-to-date information about social and policy research commissioned and published on behalf of the Scottish Executive. Subjects covered include transport, housing, social inclusion, rural affairs, children and young people, education, social work, community care, local government, civil justice, crime and criminal justice, regeneration, planning and womens issues. The site also allows access to information about the Scottish Household Survey.

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Geoffrey Adams
Principal Private Secretary
Secretary of State
Foreign and Commonwealth Office
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14 May 2004

Dear Geoffrey

VISIT BY THE ADVOCATE GENERAL FOR SCOTLAND TO HELSINKI, FINLAND, 26-28 MAY 2004

I am writing to seek FCO approval for a visit to Helsinki, Finland, between 26-28 May by the Advocate General for Scotland, Dr Lynda Clark QC MP. My apologies for the short notice of this request.

The Advocate General is due to attend the European Law Officers Conference as part of the invited UK delegation. The Private Office will liaise directly with the Embassy in Helsinki with regards what assistance and advice they can provide.

I would be grateful for your response by return and I am copying this letter, for information, to Clare Sumner (No.10), Sue Pither (Cabinet Office), Roland Hunt (Government Whip's Office) and Jane Colquhoun at the Scotland Office. I will write separately to the Cabinet Office Group on Royal and Ministerial Visits to advise them of the proposed visit with regards advice on security.

Yours faithfully
James Johnston

JAMES JOHNSTON
Private Secretary

RESTRICTED - VISITS



File
Scottish Executive

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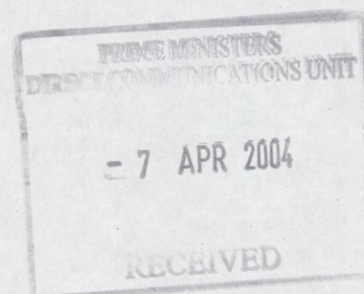
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cc PD (SAM)

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2 April 2004



Dear Charlie,

SCOTTISH EXECUTIVE CAPITAL AND RESOURCE DEL

We spoke in February about the issues which arise from our discussions with the Treasury about our capital and resource DEL.

In terms of the impact on services of the current Treasury position, our objective is to reach a practical position whereby the effect of any adjustments we make is fully aligned with our spending priorities. Discussions at official level appear to be progressing well and the signs are that Paul Boateng has found a number of suggestions that could remove some of the immediacy from the practical problems and reduce, to some degree, the scale of the impact on public services. I am grateful for the constructive nature of the discussions and for your help in encouraging that approach.

However, we should not let some progress in those discussions distract us from what I see as the principal issue here. As you acknowledged when we spoke, this discussion raises issues of wider significance, as well as the acute potential practical difficulties. The principle that the devolved administrations take their own decisions about spending priorities within their assigned budgets is an important one in the context of acceptance of the present constitutional settlement. This is a principle of such importance that I would not be prepared to concede it, either in private or in public. Undermining that principle would feed the considerable pressure for further development of the financial aspects of the settlement which is evident in Scotland at present. In my view, this period when we have two political administrations in Scotland and in the UK who can work together is precisely the time to clarify our understanding on these issues of constitutional principle and importance and make sure our arrangements take account of the situation which will arise when the political composition of the UK Government and the Scottish Executive may be unaligned.

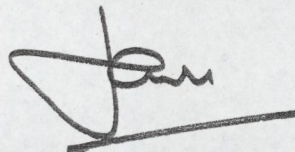


I think the basis of a sound agreement for the future can be found in a combination of recognition by the UK Government of the right of the Scottish Executive to determine the allocation of resources within the assigned budget and of recognition by the Scottish Executive that it is necessary to consider, and discuss with the UK Government, the need to take account of the requirements of management of the UK economy prior to taking resource allocation decisions.

I am grateful for your continued help in securing agreement around these important issues.

I am copying this letter to the Prime Minister, the Chancellor of the Exchequer, Paul Boateng, Alastair Darling, Rhodri Morgan, Paul Murphy and Sir Andrew Turnbull.

Best wishes



JACK MCCONNELL

From: Alasdair McGowan
Date: 10 March 2004

PRIME MINISTER

Cc: Jonathan Powell
Ivan Rogers
Geoff Mulgan
Pat McFadden
Sally Morgan

PHONE CALL WITH JACK MCCONNELL - 11 MARCH 2004

Jack will want to raise three issues with you:

- (1) A possible peerage for the Scottish Lord Advocate, Colin Boyd QC.
- (2) The Scottish Executive Budget – capital/revenue splits.
- (3) The G8 Summit in Gleneagles.

Pat has done a separate note on Item 1.

SCOTTISH EXECUTIVE BUDGET

The Scottish Executive is currently involved in a bitter argument with HMT over the ability of the devolved administrations to switch spending between their capital and resource accounts.

HMT are concerned that the golden rule is at risk if the devolved administrations are not constrained in their ability to switch from capital to resource DEL. HMT want to limit switches to no more than 2% of capital DEL from 2004/5 until at least 2007/8 (compared to no flexibility for government departments). The gap between the SE and HMT positions is £249/297/294 million from 2003/4 to 2005/6.

This is a very tricky issue and so far Gordon has shown absolutely no signs of budging. You should tell Jack that you will ask Gordon to speak to him once the Budget is over but that you can't promise anything. There are no easy solutions here – it is in all our interests to preserve the UK fiscal rules. You should press him to look seriously at using the Scottish Executive's growing EYF (£880 million in 2003/4) to manage the problem.

Jack argues that:

- He shares the commitment to meeting the UK fiscal rules, but HMT's proposed limits (which they were only informed about in December) will mean very publicly unpicking spending commitments which have already been published and were made in good faith by the Scottish Executive.
- They might be able to make some modest efficiency savings but not of this magnitude.
- One of the main reasons why their current DEL is so large compared to capital is their PPP programme. They don't want to have to abandon PPP solutions in order to increase their capital budget.
- It will be hard to justify cuts on the basis that the golden rule is under threat when HMT are arguing the opposite publicly. The PBR predicted a surplus in this economic cycle on the golden rule of £14 billion.
- The integrity of the block grant and the freedom of the Scottish Executive to spend it as it saw fit was seen as a key part of the devolution settlement. To unpick it will be a gift to the SNP. The Statement of Funding Policy with the devolved administrations makes it clear that they 'will continue to be free to allocate between capital and resource budgets' (although this is caveated to allow HMT to make changes in extreme circumstances).

Rhodri and Paul Murphy are not affected as severely as Jack by these changes but support him on the point of principle.

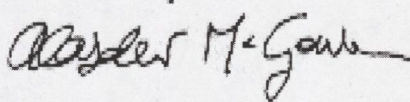
HMT argue in response that the Scottish Executive should be able to manage this through their considerable End Year Flexibility. Jack argues rightly that EYF is not new money – it money that is still committed on projects which have slipped. HMT respond that this might be a problem if the Scottish Executive EYF was shrinking but if anything it is rising – it has doubled in absolute terms in the last four years (from £445 million in 2000/1 to £880 million in 2003/4). This, they argue, should allow the Scottish Executive to manage the cash flow problem which these new limits create.

2005 G8 SUMMIT AT GLENEAGLES

Jack is concerned that the Scottish Executive Budget should not lose out financially from hosting this. Based on the three most recent summits, he estimates that the cost will be around £100 million. Paul Boateng has queried this figure.

Jack has agreed to let HMT and FCO officials pore over the costings to make sure they are justified but he wants an agreement in principle the Scottish Executive will be reimbursed and not lose out financially before the venue is formally announced. HMT for their part don't want to give the Scottish Police Service a blank cheque. Jack is keen to get this issue resolved quickly so that planning can begin and feels that HMT are dragging their heels.

You should tell Jack that it is best for his officials to discuss the costings first with HMT and come back to us if there is still a problem.

A handwritten signature in dark ink, appearing to read 'Alasdair McGowan', with a stylized, cursive script.

ALASDAIR MCGOWAN

RESTRICTED

File

From: Pat McFadden

Date: 9 March 2004

PRIME MINISTER

cc: Jonathan Powell

Alasdair McGowan

APPOINTMENT OF LORD ADVOCATE TO THE HOUSE OF LORDS

Lynda Clarke came to see me about this matter today. She is very exercised.

The issue is this: Jack McConnell has asked you to approve the appointment of Colin Boyd - the Scottish Lord Advocate - to the House of Lords. This appointment is strongly opposed by Lynda Clarke, the Scottish Advocate General.

The Lord Advocate is the Scottish Law officer dealing with matters of Scots law in Scotland. He is not a member of the Scottish Parliament but it is to the Scottish Parliament and Scottish Executive that he works.

Lynda Clarke is the UK government's Scottish law officer. This post is a new one, following the devolution settlement. Lynda's point is that this post has been essential in interpreting and policing the boundaries of the devolution settlement. She says for example it has made crucial interventions when the Scottish Executive might have acted on matters such as asylum and immigration.

In the light of this she feels that to appoint the Lord Advocate - the Scottish Executive's law officer - to the UK parliament would at best cause confusion and at worst diminish the UK government's capacity to police the boundaries of the settlement. She asks a fair question - why is it in the UK Government's interests to diminish its power in this way?

If Lynda is right, this is not a trivial point. At the very least it is worth exploring this properly with the DCA before making any decisions. Jack McConnell is trying to speak to you about this to press the case for putting Colin Boyd in the Lords asap. He will say all previous Lords Advocate were members of the Lords. That of course was before devolution.

I think you should tell Jack that you want to fully explore the implications of all this before making a decision and it is not something that can happen in the immediate future.

Pat

RESTRICTED

~~4.2.26~~
E. File

From: Alasdair McGowan
Date: 5 March 2004

PRIME MINISTER

Cc: Jonathan Powell
Sally Morgan
Pat McFadden
William Chapman

POSSIBLE PEERAGE FOR LORD ADVOCATE

Jack McConnell or Lynda Clark may want to raise with you the above issue. The following is for information purposes only.

Jack McConnell wrote to you on 2nd December, asking that the Lord Advocate, Colin Boyd QC, be made a peer. Jack's argument is that all previous holders of the Lord Advocate post since 1979 have been created peers, that it would be desirable for devolved Scotland's Senior Law Officer to be able to speak in the House of Lords on occasion. In particular, he is keen for the Lord Advocate to be able to participate in the debate about the creation of a Supreme Court, which has implications for the Scottish legal system.

Subject to your approval, we were minded to recommend appointing him not as a working peer but as a Government Minister – provided the Appointments Commission were content. However, we asked Charlie Falconer to pull together advice on the constitutional aspects of this before putting this to you.

As part of this process, Lynda Clark, the Advocate General for Scotland, has raised strong objections to any peerage and may try and raise this with you directly. You will recall from your meeting with Lynda recently her strong views about the importance of the post. Alastair Darling, as Lynda's boss in the Scotland Office, will need to weigh her views carefully in submitting his advice.

We may have to drop the idea as a result. In the meantime, if either Jack or Lynda raise this with you, you should say that we will have to take a view once we have received Charlie Falconer's advice and Alastair Darling will feed in Lynda Clark's views as part of that process. No decisions have been taken.

Alasdair McGowan

ALASDAIR MCGOWAN

RESTRICTED - HONOURS



Scottish Executive

St Andrew's House
Regent Road
Edinburgh EH1 3DG

Rt. Hon. Tony Blair MP
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Telephone: 0131-556 8400
scottish.ministers@scotland.gsi.gov.uk
<http://www.scotland.gov.uk>

2 December 2003

Dear Tony,

I should be grateful if you would consider two matters: the case for the Presiding Officer of the Scottish Parliament to be a member of the Privy Council; and the possibility of reviving the proposal made at the time that Colin Boyd was appointed Lord Advocate that he should be created a peer.

The first issue has only arisen following George Reid's election as successor to David Steel because David was, of course, a Privy Councillor before he became Presiding Officer. George Reid has done much to strengthen the role of the Presiding Officer since taking over, at a time when there is a risk that the authority and solemnity of the Parliament could be undermined and, with it, the stability of the constitutional settlement. I believe that Privy Council membership would reinforce the vital role given to the Presiding Officer within the constitutional settlement, for example in relation to determining whether legislation is within the powers of the Parliament. I understand that it is customary for the Speaker of the House of Commons to be made a Privy Councillor.

In addition to the benefit of underpinning the constitutional settlement, there is also a more direct practical case. I am seeking to build a closer working relationship with the Presiding Officer. There are occasions when it would be helpful to share information with him on Privy Council terms, in the context of that relationship. The very effective co-operation which we have achieved as joint sponsors of Lord Fraser's investigation of causes of the high costs of the new Parliament building is an example. It may yet be desirable to be able to share with him UK Government documents which we have held back as not relevant to the investigation, in order to secure his co-operation in dealing with attempts to force the documents into the public domain.

The second issue is not new. All previous holders of the office of the Lord Advocate since 1979 have been created peers. When Colin Boyd was appointed in 2000 he was reluctant to accept the peerage offered and, although I understand that Donald Dewar intended to pursue the issue, Donald's death intervened. Henry McLeish did not choose to pursue this issue further. I have had one discussion with him to explore his initial reluctance, and I think he would now accept my judgement that this would help his office, the constitutional settlement, and the House of Lords deliberations.

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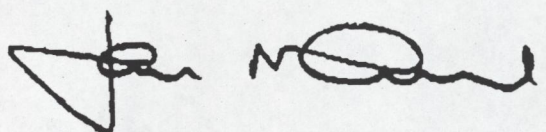
RESTRICTED - HONOURS

My main reason is that I believe it would be desirable for devolved Scotland's Senior Law Officer to be able to speak in the House of Lords on occasion. The approaching discussions on the creation of a Supreme Court seem to me a case point. The prospects of success for this proposal would be likely to be enhanced by the Lord Advocate's support; and his ability to participate in the legislative process would assist in dealing with opposition to the proposal in Scotland.

As the post of Lord Advocate is statutorily part of the Scottish Executive, my understanding is that the power to propose the creation of a peerage to Her Majesty rests with you, without further process. I hope you would be willing to review the offer of a peerage at the next available opportunity.

I am copying this letter to Alastair Darling, Charles Falconer and Sir Andrew Turnbull.

Best wishes



JACK MCCONNELL

02072108597

From the Secretary of State and Lord Chancellor
The Right Honourable Lord Falconer of Thoroton



The Department for Constitutional Affairs
Selborne House
54-60 Victoria Street
London SW1E 6QW

DX 117000
Telephone: 020 7210 8380
Fax 020 7210 8597

The Rt Hon Peter Hain MP
2 Carlton Gardens
London SW1Y 5AA

AMG / CS

28th February 2004

Dear Peter

RICHARD COMMISSION

Thank you for your letter of 16 January. I am grateful to you for alerting colleagues to the forthcoming Richard Commission report. I understand that a publication date of Wednesday 31 March has now been set for the report.

I agree that if radical changes to the devolution settlement are recommended, the report will need careful handling. As you quite rightly point out, the handling strategy agreed by CNR Committee in December 2002 only covered arrangements for the Government to give evidence to the Richard Commission. As such, any proposals on how to handle the publication of the Commission report itself will have to be cleared through PD Committee. I look forward to seeing your proposals in due course.

I have seen Alistair Darling's reply to your letter and agree with him that the likely debate following publication of the Richard Commission report will inevitably include comparisons and comment on the Scottish settlement and, in particular, may have implications for the Commission Alistair is establishing on electoral arrangements in Scotland. I understand that Alistair has asked that Scotland Office Ministers and officials be kept in close touch with the proposals for handling arrangements

I am copying this letter to the Prime Minister, the Deputy Prime Minister, members of PD Committee and Sir Andrew Turnbull.

Yours
Cameron

From: Kate Garvey
Date: 25 February 2004

PRIME MINISTER

cc: Sally Morgan
David Hill
Alasdair McGowan
John McTernan
Anne Shevas
Hilary Coffman
Lizzie McCrossan
Helen Astbury
Detectives
Duty Clerk
Katie Kay

VISIT TO INVERNESS, THURSDAY 26 - FRIDAY 27 FEBRUARY 2004

You are going up to Scotland tomorrow for a 24 hour visit. The trip will include a Big Conversation event; a government visit and your speech to Party Conference. You will also hit as much media as possible. Paul Sinclair from the Record will interview you on the plane to Inverness. Catherine MacLeod will also travel up on the plane, come along to the Big Conversation and have a chat with you at some point. You will do Scottish radio and TV interviews at the Big Conversation so you will have coverage on Thursday evening telly and Friday's papers. Your government visit on business and prosperity in Scotland will provide good pics to go with your speech on Friday afternoon. Jack will accompany throughout, starting with meeting you from the plane.

**The Big Conversation, Merkinch Community Centre, Inverness, 1745-1930
Thursday 26 Feb**

You will be met by Ivor Souter, Centre Manager; Dave Stewart, local MP and Maureen MacMillan MSP. They will show you to a media area where you will have 30- 45 minutes to do interviews. Meanwhile Alistair Darling and Ian McCartney will have kicked off the Big Conversation which will focus on ASB and Building better communities. (See questions attached). The format is similar to others you have done; the participants are all local residents who use the centre, so there is a good mixture of OAPs, families, single mums and young people – none have been picked because they are party members (See list attached). They will be sat at five tables of 10 people and will have been working

on their views for at least half an hour before you and Jack join them. Fiona Stanton, party organiser, will escort you both to the first table – Jack will join you at each table to ensure all policy areas are covered. You will spend 10 minutes at each table. The other politicians will also be circulating. You will close the session by saying a few words, Jack should also speak. Press will have the usual full access, listening to each table via headphones. You should be away by 7.30pm so you can work on your speech at the lovely Culloden Hotel.

Friday 27 February

You will have lots of time to work on the speech during the day in a quiet location. But you will have to do a quick government visit and also squeeze in a chat with Catherine, perhaps she could travel to and from the visit with you. You will have autocue set up at the hotel to practise on if you decide to use it.

Visit to Inverness Medical, Beechwood Business Park, Inverness, 1000-1030

Friday 27 February

This will be a very short government visit to highlight the success of Inverness's economy, particularly its entrepreneurial and skilled workforce. Inverness Medical is a good example of this, with its hundred strong, highly skilled workforce, producing and distribution of high-class healthcare products world wide. Jack will accompany you. You will look at some of the work they are doing on diabetes and then meet a lot of the staff in the canteen for a coffee break. (MEDIA PICS). (See briefing attached).

1430-1515 Speech to Scottish Labour Party Conference, Eden Court Theatre, Inverness

The speech itself is a straightforward format, Lesley will meet you and take you backstage. Kristine will be there. Carol Wright, Chair of Conference, will introduce you, and you will speak for about 40 minutes. You will leave immediately afterwards for the airport.

I

Kate

KATE GARVEY

Big issues need a
bigconversation.org.uk

*We all know
which
families are
nightmare
neighbours*

*I worry when I
see kids
wandering the
streets who
should be at
school*

*When drug
dealers
take over a
house, we
want them
out.*

*Abandoned cars
make my
community look
a mess. They
need to be
removed.*

*Landlords
with bad
tenants need
to be dealt
with*

*The graffiti
and rubbish
dumped in the
streets is a
disgrace*

Your local area and your experience

- Have you ever experienced Anti- Social Behaviour? Is anti social behaviour a problem where you live or work? What effect has it had on your life, and on your community?
- Is there enough for young people to do in the Merkinch area and in Inverness? Do young people use the local facilities that exist? What can be done locally to improve facilities for young people?

How do we make our communities safer?

- How can we reinforce the responsibilities that individuals and families have towards their neighbours? Should those who harass or intimidate their neighbours expect the same access to state support as those who respect others right to peace and quite.
- How can we involve local people more in strategies for dealing with anti-social behaviour? How can local residents be more involved in mediation of disputes and the delivery of justice in their communities?
- How do we best tackle the binge drinking culture and the problems that flow from it? Should businesses like large city centre nightclubs which generate public order problems pay towards the costs of controlling disorder outside as well as inside their premises?

Action from the Labour-led Scottish Executive and the Labour Government.

The Labour-led Executive is currently piloting legislation through the Scottish Parliament to tackle anti-social behaviour.

The Bill includes a number of measures to prevent Anti Social Behaviour. This includes new Anti Social Behaviour Orders (ASBOs) for under-16s. Labour does not want to stigmatise young people as the perpetrators of crime and anti Social behaviour. It is widely recognised that a small minority of young people have the power to blight communities with their anti-social behaviour, and the Bill extends these orders- that already exist for over 16s- to 12-15 year olds. ASBOs will act alongside enhanced sanctions made available to the Children's hearing system.

- Are we getting it right? Do you think it is a good idea to extend ASBOs to under 16s? Do you think it will be effective? What else do you think we should be doing to tackle this problem?

Vandalism, graffiti and littering grind people down and destroy neighbourhoods. The Bill includes fixed penalties for litter, speedier removal of abandoned vehicles, action on fly tipping, and extending local authority powers to remove graffiti. The Bill also includes the measure to ban the sale of spray paint to under 16s.

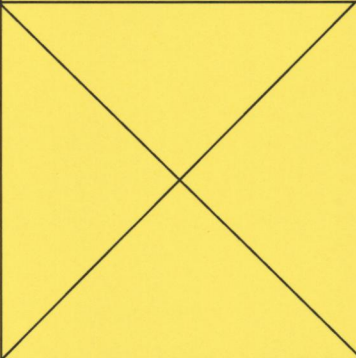
- Are our priorities right? Do you think local designated areas for graffiti cut down on the level of illegal graffiti? What else should we do to tackle the problem of graffiti and littering?

Labour is determined to give police and Local Authorities the powers to deal with Anti Social Behaviour. The Bill proposes fixed penalty notices for low level disorder, and gives police the power of dispersal to deal with groups. It also introduces closure orders for certain premises- e.g. houses that are used for drug dealing.

- Do you agree that the police and councils need more powers? Do you think that these powers will be effective? Do you think that this will be removing housing benefit from offenders of anti social behaviour will be effective at tackling persistent offenders?

Do you have any views or concerns that we haven't discussed this evening that you would like to make clear?

THE	
NATIONAL	
ARCHIVES	

DEPARTMENT/SERIES <i>PREM69</i> PIECE/ITEM <i>4347/1</i> (one piece/item number)	Date and sign
Extract details: <i>Brief dated 25 February 2004</i>	
CLOSED UNDER FOI EXEMPTION <i>40(2)</i>	<i>8/27/9/24</i>
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	
TEMPORARILY RETAINED	
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DOCUMENT PUT IN PLACE (TNA USE ONLY)	

Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer
or Number not used.

**Briefing Note**

Visit to: Inverness Medical Limited.

Address: Beechwood Business Park North
Inverness
IV2 3ED

Contact(s): Stuart Paterson, Financial Director, Tel: 01463 721530
Mike Crowe, Managing Director, 01463 721003

Previous Assistance:

HIE supported start up in 1995 with circa £3.1m financial assistance and the provision of a 50,000 sq.ft. production unit.

1998 - Further £2.1m investment from HIE plus further 53,000 sq.ft. of production space provided.

HIE currently owns 1.0m Preference Shares due for redemption in the current financial year.

Employment:

Currently standing at circa 1150 FTEs.

Background Information:

Inverness Medical Limited was established in 1995 as a wholly owned subsidiary of Selfcare Inc of Waltham, Massachusetts which was engaged in the production and distribution of a range of healthcare products world-wide. Established in 1992, with the intention of focussing on self-test diagnostic products, Selfcare diversified into complementary self care product lines, concentrating on the two largest market segments: women's' health and diabetes. Selfcare expanded rapidly through organic growth and acquisition.

In 1995, HIE Network assistance totalling £3.1million and provision of bespoke factory for lease was crucial in persuading Selfcare to locate its main manufacturing facility in Inverness in the face of competition from Ireland and Israel.

In 1996 Selfcare concluded an exclusive worldwide alliance and distribution agreement with Lifescan Inc, a subsidiary of Johnson & Johnson and a major US supplier of blood glucose monitoring systems. Through this alliance, Selfcare manufactured (through Inverness Medical) and Lifescan distributed a proprietary electrochemical blood glucose monitoring system for diabetes management, comprising a test strip used in conjunction with a monitoring meter. The scale of this alliance fundamentally altered the direction of the Inverness company as it required a heavy concentration of resources on the development of this system.

In June 1998 the HIE Network approved further financial assistance totalling £2.1 million and extended the factory by some 53,000sq ft, to encourage the company to locate further functions in Inverness. These functions included bringing in-house the design and manufacture of the meters which had hitherto been carried out in Massachusetts;

streamlining and extending the strip production processes in the light of an updated blood glucose system; creating a dedicated Research and Development facility; creating a packaging and despatch area.

In 2000 Selfcare Inc changed its name to Inverness Medical Technology and was taken over by Johnson & Johnson in November 2001. This is seen as presenting a major opportunity for the establishment of a healthcare 'cluster' of activity in and around Inverness. A number of key elements are in place and Johnson & Johnson have indicated their support for developing their 'Centre of Excellence' for diabetes management within their Inverness facility resulting in a total of approximately 150 FTE R&D jobs.

The site occupied by Inverness Medical extends to some 10 acres and the factory to some 105,000 sq. ft. (Johnson & Johnson acquired the entire complex from HIE in 2002). Work has recently commenced on a further extension to the unit which will add a further 85,000sq ft of production space. Additionally, further office space is being sought at Beechwood to house both R & D and administrative activity.

Investment by IML has far exceeded original projections and current employment level is in excess of 1100 FTEs

Points to Note:

RESTRICTED - POLICY



Foreign &
Commonwealth
Office

London SW1A 2AH

From the Foreign Secretary

19 February 2004

The Rt Hon David Blunkett MP
Home Secretary
50 Queen Anne's Gate
London
SW1H 9AT

Dear David,

Thank you for your letter of 10 February regarding the Scottish Executive's "Fresh Talent Initiative".

I recognise the need to encourage young people to live and work in Scotland and am content to proceed along the lines set out in your letter. As you note, it is not legally possible to make living in Scotland a requirement for the grant of leave to enter the UK. In these circumstances, the success of your proposals to assist migrants to settle in Scotland will be of great interest.

Given the FCO's role in providing entry clearance, I would be grateful if FCO officials could continue to be involved in discussions with the Scottish Executive.

I am copying this letter to the Prime Minister, Members of DA Committee, Tessa Jowell, Sir Stephen Wall, Sir Nigel Sheinwald and Sir Andrew Turnbull.

Yours ever,
Jack

JACK STRAW

RESTRICTED - POLICY

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16 February 2004

dti

The Rt Hon Patricia Hewitt MP
SECRETARY OF STATE
FOR TRADE AND INDUSTRY

SMC
GN
ME
RB
SF

The Rt Hon John Prescott MP
Deputy Prime Minister
Cabinet Office
26 Whitehall
London
SW1A 2AS

Dear Deputy Prime Minister

SCOTLAND'S "FRESH TALENT" INITIATIVE

I am writing in response to David Blunkett's letter to you of 10 February seeking DA agreement for the proposals aimed at attracting migrants to live and work in Scotland, to be put to the Scottish Parliament at the end of February.

I am satisfied that the proposals outlined in the letter do not raise concerns for business and for this reason I am content for them to go forward. I should however be grateful if Home Office officials would keep the DTI's Regional Policy Planning & Transport Directorate, informed on the progress of these proposals.

I am copying this letter to the Prime Minister, the Foreign Secretary, Tessa Jowell, other members of DA, Sir Andrew Turnbull, Sir Stephen Wall and Sir Nigel Sheinwald.

PP *PH*

PATRICIA HEWITT

Department of Trade and Industry

Direct Line
Fax
Minicom +44 (0)20 7215 6740
Extranet +44 (0)20 7215 5000

ADVOCATE GENERAL FOR SCOTLAND



SCOTLAND OFFICE
DOVER HOUSE
WHITEHALL
LONDON SW1A 2AU

13th February 2004

Dear John, ✓

Thank you for your letter of the 12th February.
The issues have been discussed and I am most
grateful to the Prime Minister. I have written
personally to thank him.

Yours ever
hurdle.

02072733965



Home Office

The Private Secretary to the Home Secretary

Ciara Mulligan
Private Secretary to the
Deputy Prime Minister
26 Whitehall
London SW1A 2WH

① Kate Green: looks sensible
to me. To be aware,
give that it's really A Mac
you area.

Pat Mac
SW
NS
MR

12 FEB 2004

FRESH TALENT INITIATIVE - REVISED DEADLINE FOR RESPONSES

The Home Secretary wrote to DA colleagues on the 10 February regarding Scotland's 'Fresh Talent Initiative' and some specific proposals that he has been developing with Jack McConnell to attract migrants to live and work in Scotland. The letter outlined the proposals that Jack McConnell will be setting out to the Scottish Parliament. The letter sought responses from colleagues by no later than 23 February, however, we have now been informed that Jack McConnell will be setting out the proposals to Scottish Parliament on 23 February so will need to seek responses earlier. The Home Secretary would be grateful if responses could be sent by no later than **noon on 19 February**.

I am sorry that this deadline has been brought forward.

I am copying this letter to the private secretaries to the Prime Minister, Members of DA, the Foreign Secretary, Tessa Jowell, Sir Andrew Turnbull, Sir Stephen Wall and Sir Nigel Sheinwald. I am writing in similar terms to Rhodri Morgan's private secretary.

pp. Anna Danicoff
(signed in her absence).

REBECCA RAZAVI

02072733965

RESTRICTED - POLICY



Home Office

Home Secretary

50 Queen Anne's Gate, London SW1H 9AT

The Rt Hon John Prescott MP
Deputy Prime Minister
26 Whitehall
LONDON
SW1A 2WH

10 FEB 2004

Dear John

I am writing to you about Scotland's 'Fresh Talent Initiative' and some specific proposals I have been developing with Jack McConnell to attract migrants to live and work in Scotland. This letter outlines the proposals which Jack will be setting out to the Scottish Parliament towards the end of February. I would welcome colleagues' agreement to proceed on these lines and seek responses by no later than 23 February. I am also writing in similar terms to Rhodri Morgan.

Scotland's population is projected to fall below 5 million by 2009. This is the worst population decline in Europe. Scotland is facing the reality of an ageing population and a reduction in people of working age. Last February, the First Minister therefore launched the Fresh Talent Initiative to encourage people to live and work in Scotland.

To mark the first anniversary, Jack and I would like to build on "Fresh Talent" by using Scotland as a test bed to pilot and evaluate regional migration initiatives. By facilitating migration directly to where it is needed, the Government can demonstrate a demand for managed migration to the UK. This could provide successful regional models for possible replication elsewhere.

The ideas which we are developing include a package of closer working between my Department and the Scottish Executive on marketing and process issues. Specific initiatives include enhancing our respective website links for immigrants thinking of applying under managed migration schemes, and further promotional work on the work permit system to Scottish employers. The Scottish Executive is creating a Relocation Advisory Service to provide fast-track access to all the services involved in migration, and to continue to support and monitor the success of the migrants who may be attracted under these proposals. Although it is not legally possible to make living in Scotland a requirement for the grant of leave to enter the UK, the idea we want to test is whether migrants to a large extent settle where they intend to, given the other practical help they receive in relocating.

02072733965

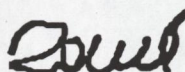
RESTRICTED - POLICY

The policy proposal which we wish to include in this package is a pilot scheme for graduates. This would allow successful graduates from Scottish universities, who express the intention of living and working in Scotland, to stay on for 2 years to seek employment. They would be permitted to remain in Scotland and seek any type of work during this time. After 2 years or earlier, graduates could switch into work permit employment or other legal migration routes for which they qualify. The proposed Scottish Relocation Advisory Service would aim to encourage and assist applicants during this period. This Service will enable the Scottish Executive to keep in touch with the applicants and help monitor the outcomes. If the scheme was successful in encouraging students to stay in Scotland and to contribute constructively to its economy, we could look at extending it to other areas of the UK.

The First Minister would like to announce these proposals to the Scottish Parliament in the week commencing 23 February. The proposed Statement will be cleared with us and other colleagues who wish to see its exact terms. We will then work closely with the Scottish Executive to implement these proposals as soon as practicable.

I am copying this letter to the Prime Minister, Members of DA, Jack Straw, Tessa Jowell, Sir Andrew Turnbull, Sir Stephen Wall and Sir Nigel Sheinwald. I am writing in similar terms to Rhodri Morgan.

Best wishes,



DAVID BLUNKETT

Praven 15/2/04

ADVOCATE GENERAL FOR SCOTLAND



✓
✓

✓

SCOTLAND OFFICE
DOVER HOUSE
WHITEHALL
LONDON SW1A 2AU

12th February 2004

Dear Tony,

Thank you very much for finding time to discuss matters with me earlier this week. It was very good of you.

I have informed Alastair's Parish.

A public assessment that I will not be standing for reselection will be made in the week beginning February 23rd.

I have passed on your good wishes to Norrie and she was very touched that you remembered her with such kindness.

Many thanks

Yours ever

David



10 DOWNING STREET
LONDON SW1A 2AA

From the Prime Minister's Chief of Staff

12 February 2004

Dear Lynda,

Thank you for your letter. I understand the issues you wanted to cover were discussed with the Prime Minister on the 9th February.

Yours
J.P.

JONATHAN POWELL

Dr Lynda Clark QC MP
Advocate General for Scotland

SM

CONFIDENTIAL

CONFIDENTIAL