

Deputy First Minister and Cabinet Secretary for Economy
and Gaelic
Leas Phrìomh Mhinistear agus Rùnaire a' Chaibineit airson
Eaconamaidh agus Gàidhlig

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Colin Smyth MSP,
Convener,
Economy and Fair Work Committee,
The Scottish Parliament
Edinburgh,
EH99 1SP

23 January 2025

Dear Colin,

Economy and Fair Work Committee actions

Following the committee meeting on 8 January in relation to the Scottish Budget 2025-26, I agreed to revert to the Committee with further information / clarification on:

- (i) Daniel Johnson's request for further information on the outturn figures and year on year comparisons, specific reference was made to funding for the enterprise agencies, and also in relation to employability.
- (ii) Digital Boost, its pause, the reasons for that and how the support provided previously by Digital Boost can now be accessed.

Please find within the Annex to this letter responses to these items.

For Item 1 I have also provided detail on additional areas of note (Digital, Cities Investment and Strategy, Ferguson Marine and Redress). I hope you find this of use.

Yours sincerely,

KATE FORBES

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Annex 1 – Further information on year on year moves of total budget allocated (numerical and explanatory tables)

Area	2023-24 £m			2024-25 £m			2025-26 £m		Notes
	2023-24 Initial Budget	2023-24 Outturn	Movement	2024-25 Initial Budget	2024-25 ABR Transfers	2024-25 Revised Budget	2025-26 Budget	Movement 2024-25 Initial Budget to 2025-26 Budget Bill	
Digital	148.3	148.8	0.5	208.8	1.5	210.3	98.0	-110.8	1
Employability	133.6	92.3	-41.3	102.9	-2.7	100.2	104.5	1.6	2
Enterprise, Trade & Investment	411.6	487.7	76.1	354.9	65.1	420.0	386.7	31.8	3
<i>Of which</i>									
<i>Scottish Enterprise</i>	265.8	350.9	85.1	225.3	9.4	234.7	236.1	10.7	
<i>Highlands and Islands Enterprise</i>	62.8	69.4	6.6	54.8	1.2	56.0	56.3	1.5	
<i>South of Scotland Enterprise</i>	34.5	31.2	-3.3	27.4	1.5	28.9	29.1	1.8	
European Structural Funds		0.0	0.0	0.0	0.0	0.0	0.0	0.0	
European Regional Development Fund		0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Economic and Scientific Advice	9.3	16.2	6.9	12.9	0.0	12.8	14.2	1.3	
Organisational Readiness	33.6	36.8	3.2	37.9	0.0	37.9	40.0	2.1	

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	2023-24 Initial Budget	2023-24 Outturn	Movement	2024-25 Initial Budget	2024-25 ABR Transfers	2024-25 Revised Budget	2025-26 Budget	Movement 2024-25 Initial Budget to 2025-26 Budget Bill	
Government Business & Constitutional Relations	11.1	7.9	-3.2	7.1	2.5	9.6	7.2	0.1	
Regeneration	59.2	50.1	-9.1	58.5	2.3	60.7	62.2	3.8	
Scottish National Investment Bank	246.1	249.0	2.9	177.1	0.0	177.1	200.4	23.3	
Cities Investment & Strategy (including Growth Accelerator)	211.4	154.2	-57.2	211.2	-5.0	206.2	224.0	12.8	4
Ferguson Marine	60.0	76.8	16.8	42.5	20.2	62.7	47.9	5.4	5
Tourism and Major Events	77.0	83.7	6.8	51.8	0.0	51.7	58.5	6.8	6
Of which									
<i>VisitScotland</i>	52.7	83.5	30.8	44.4	3.8	48.2	44.2	-0.3	
<i>Tourism Special Projects</i>		0.2	0.2	2.6	0.0	2.6	8.0	5.4	
<i>Major Events</i>	24.2	0.0	-24.2	4.7	-3.8	0.9	6.4	1.6	
Gaelic	27.1	27.3	0.2	25.1	0.4	25.5	30.5	5.4	

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Redress, Relations & Response	60.7	483.4	422.7	60.3	-6.0	54.3	60.4	0.1	7
Total Deputy First Minister, Economy & Gaelic	1488.9	1914.2	425.3	1710.1	90.3	1800.3	1334.4	-375.7	

Significant Movements - Notes:
1: Digital - Budget is part of a £600m+ public investment in the R100 broadband programme. Movement reflects spend profiles over the life of the programme in line with contracts. In addition to the £98m in 2025-26 Budget document, £68m BT Gainshare Income will also be recycled to support R100 Broadband Programme. This brings overall investment in Digital to over £160m.
2: Employability - the most significant movement is 2023-24, which was impacted by net transfers out to local authorities (via general revenue grant) and underspends on No One Left Behind (NOLB).
3: Enterprise, Trade and Investment
2023-24 - The 2023-24 outturn figure reflects the position after in-year transfers and includes accounting adjustment for International Financial Reporting Standards (IFRS16) which capitalises leases onto the Scottish Government balance sheet which were previously classified as operational leases. These changes were largely non-cash adjustments. This impact was mostly material in the first year of the transition resulting in SE and HIE receiving in-year transfers of £69.5m and £13.0m respectively to reflect this change.

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2024-25 - The direct comparison between 2025-26 allocation and 2024-25 ABR position presents as a £33 million reduction. However, it includes £58 million of capital and financial transaction funding for Offshore Wind transferred from Net Zero and Energy portfolio at ABR. This funding will transfer at Spring Budget Revision to Scottish National Investment Bank (SNIB), Scottish Enterprise and Highlands and Islands Enterprise. The details of these transfers will be published in Parliament in February 2025.

2025-26 - Includes £15 million for an Enterprise Package to expand support for female entrepreneurs, boost the economic impact of universities and funding the development of business clusters in advanced manufacturing and DeepTech. It also reflects an increase of £14 million to £321 million overall funding for our enterprise agencies in 2025-26 to facilitate their critical role to help businesses to innovate and scale to transform Scotland's economy. Plus £5 million to support Clyde Mission Heat Decarbonisation and £1.8 million to support Green Freeports.

4. City and Regional Deals Movement in the 23/24 funding allocated to City and Region Growth Deals was due to a combination of factors including: delays to signing the final two deals due to the general election, continuing inflationary impacts impacting associated construction costs, local authority capacity constraints and changing investment decisions due to the identification of unviable projects, particularly within the Ayrshire Growth Deal. All these factors negatively impacted Deals deliverability in 23/24 and created the associated underspend.

The Deals programme has historically carried an underspend, and we have seen slippage in delivery for a number of reasons across the Deals landscape. We will continue to meet our commitments in full over the lifetime for the programme.

5. Ferguson Marine - overspend in 2023-24 due to impairment of assets under construction following updated valuation of vessels 801 (Glen Sannox, which is now operational) and 802 (Glen Rosa).

6. Tourism and Major Events - Budget for major events relates to specific events, so varies year-on-year depending on the programme of events being supported. For instance, 2023-24 saw high expenditure due to SG support for 2023 UCI Cycling World Championships (c.£25m). Major Events spending is often transferred to other delivery bodies, most often to VisitScotland, and so outturn spending on Major Events will be represented as an increase in VisitScotland budget lines.

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7. Redress - The 2023-24 outturn includes a £412m provision in relation to future Redress payments. This is the value estimated based on average payments per application type and anticipated application numbers, after discounting the provision to present value (in line with accounting standards). The overall cost will be offset by amounts due to the SG from contributors to the scheme, in line with the legal arrangements in place with these bodies. However, in line with accounting standards (IAS 37), this income cannot be recognised until there is certainty we will receive it.

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Annex 2 – Background as requested for Digital Boost

DigitalBoost was a £1.6m programme funded by the Scottish Government and delivered by Business Gateway. It supported SMEs to increase productivity by adopting and effectively deploying relatively basic digital technologies such as software, social media advertising and online trading through workshops, one-to-one advice, health checks, online guides and tutorials. The programme offered no direct funding to businesses, though support of this kind was separately made available under the DigitalBoost brand, particularly during the pandemic when digital trading became essential for many businesses to survive. While DigitalBoost was undoubtedly a popular service, an independent evaluation found that it concentrated “on a narrow range of digital technologies such as website development and social media” and concluded that “digital support must go further in addressing the low uptake of a range of other important digital technologies that will enable improved productivity”.

In addition to this analysis, many private sector entities such as banks and telecoms companies routinely offer advice and services of this kind to their business customers as a matter of course and, over the last five years, we have experienced the rise of far more powerful digital tools, often automated and AI driven, which support businesses both to access the best advice and to implement digital solutions. Given the increasing ubiquity of basic digital technologies, combined with the context of significant pressures on public finances over recent years, the view of Ministers was that it is reasonable to expect advice of this kind to be delivered as a matter of course through the core services offered by Business Gateway, which remain fully funded. Support that was previously provided through the DigitalBoost Programme delivered by Business Gateway can therefore still be accessed online - <https://www.bgateway.com/resources/digitalskills> - this includes a digital health check, free webinars and a range of digital resources that cover a large variety of topics.

It is also important to make clear that DigitalBoost operated on a relatively small scale compared to the Scottish Government’s substantial investment in a broad range of programmes, institutions and financial instruments aimed at supporting businesses to innovate, harness advanced technologies and increase productivity. Examples include:

- The £42m Techscaler programme which provides promising start-ups with physical premises, world class commercial education and mentorship.
- The innovation centre programme funded by the Scottish Funding Council which supports skills and business innovation across sectoral domains including digital health, construction, data, biotech and AI.
- Institutions such as the National Robotarium, the National Manufacturing Institute for Scotland and the Medicines Manufacturing Innovation Centre which provide support for businesses to innovate with cutting edge technologies.

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- Funding programmes such as Scottish Edge and the broader funding schemes offered by local authorities and enterprise agencies, all of which can be used by businesses to invest in digital innovation.

Finally, the public sector reform programme will include work focussed on considering how business support can be modernised and support Scottish companies to fully exploit the power of technology. I look forward to updating the Committee as this work progresses.

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