



The Scottish Parliament
Pàrlamaid na h-Alba

Public Audit Committee

Claire Baker MSP
Convener
Economy and Fair Work Committee
Scottish Parliament

27 September 2024

Dear Claire

National Strategy for Economic Transformation

As you will be aware, the Public Audit Committee has been considering the Auditor General for Scotland's (AGS) briefing, [National Strategy for Economic Transformation](#) (NSET) which was published on 8 February 2024.

On 12 September 2024, the Committee agreed to close its scrutiny of the briefing, and in doing so, write to the Economy and Fair Work (EFW) Committee to draw its attention to key issues arising from its scrutiny to help inform any future work in this area.

NSET refresh

On [9 May 2024](#) the Committee took evidence from the Director-General Economy on the briefing. During the meeting, the Director-General stated that the briefing was “timely, as we consider refreshing NSET two years after the strategy was first introduced”.

The Committee notes however that when giving evidence to the EFW Committee on [29 May 2024](#), the Deputy First Minister and Cabinet Secretary for Economy and Gaelic stated—

“To be clear, having an NSET refresh does not mean rewriting it or adding to it, because I still stand by what was published. It is a 10-year strategy. However, there is an opportunity to consider what we have delivered already, what else we can still deliver, and what perhaps needs to be further accelerated.”

At the Convener's Group meeting on 18 September 2024, the First Minister confirmed that it was his understanding that the Deputy First Minister has chosen to focus on delivery of the NSET, rather than to refresh the current strategy.

Recognising that there appears to be some uncertainty as to whether the NSET will now be refreshed, the Committee encourages the EFW Committee to

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seek clarity on this point, as well as establishing how some recommendations in the AGS’s briefing will be addressed, in the absence of a refreshed strategy. We provide further detail of these particular recommendations below.

Political leadership

The briefing highlights a gap in collective political leadership for the NSET, as the Scottish Government is yet to establish its planned Economic Leadership Group. This was one of the actions set out in the NSET, published in March 2022, and was due to be chaired by the First Minister and attended by ministers and COSLA to ensure political accountability for delivering the strategy. It was also intended to be a route for the NSET Delivery Board to escalate major cross-portfolio delivery concerns.

The briefing highlights that “the NSET’s activity and achieving a wellbeing economy for Scotland is beyond the scope of any individual cabinet minister’s responsibilities”. It goes on to set out the importance of the Economic Leadership Group, as a key governance structure, to provide political leadership for these shared priorities. The briefing further states—

“It is not clear how evidence about what is successfully transforming Scotland’s economy will flow to the relevant decision-makers.”

At its meeting on [14 March 2024](#), the AGS confirmed that the Scottish Government had provided no clarity as to why the group had not met. The AGS also reinforced the recommendation made in the briefing that this group should be established, or an alternative mechanism be put in place, to address this gap in collective political leadership.

During oral evidence, the Director-General disputed this recommendation, stating that while the group had not met, there has been “collective ministerial oversight of NSET and very substantial involvement of ministers over the past two years.” The Director-General also confirmed that an escalation route exists, through the Deputy First Minister and Cabinet Secretary for the Economy and Gaelic Cabinet Secretary, who co-chairs the delivery board.

The Director-General also cited alternative mechanisms in place to provide political leadership including “mandate letters that flow from the policy prospectus, which sets out commitments of individual cabinet secretaries; bilateral engagement between the Cabinet Secretary for the Economy and other cabinet secretaries; and the work of what was the public sector and the economy ministerial group, which has now become the performance and delivery ministerial group, which, ultimately, includes the Cabinet.”

Asked whether plans for the Economic Leadership Group had been “scrapped”, the Director-General responded—

“We will be putting advice to the new ministerial team on future governance of NSET in which we will look at all aspects of governance. However, this is one area that we will specifically look at.”

Despite the evidence heard, the Committee remains unconvinced that there is sufficient collective political oversight of the NSET. We therefore suggest that the EFW Committee may wish to establish how this will be achieved, including what COSLA's role will be, particularly if there are no plans to refresh the NSET.

Funding and investment

The briefing highlights that the Scottish Government has not clearly set out how much investment is required to deliver the NSET vision. It further states that the NSET delivery plans have limited information on committed investment and that where references are made to investment, it is not always clear if it relates to existing funding or new funding which has been identified because of the NSET. The briefing goes on to highlight difficulties in establishing a sense of the overall planned investment.

During the evidence session with the Director-General Economy on 9 May, the Committee sought to establish how much money was needed to deliver the NSET and where the funding would come from. In response to this line of questioning, the Director-General Economy stated—

“NSET is, of course, a 10-year strategy. It is not a strategy that lends itself to being set up and at its outset clearly identifying everything that needs to be done for it to be successful, costing that and putting in place budgets for that.”

Recognising the challenges in determining long-term costings, the Committee pressed for more information about the costs for NSET projects currently in progress and the source of this funding. The Director-General Economy responded—

“The normal yearly budgeting process is key to ensuring that we have adequate funding for the NSET programme each year. In addition, resource spending reviews gives a multiyear perspective. We also have the medium term financial strategy, which is due to be published soon.”

The Director of Jobs and Wellbeing, Scottish Government further added—

“NSET plays a key part in the thinking about the priorities for the budget and for the programme for government. In the internal process during the resource spending review we went through NSET and looked at every single policy commitment across the Government, and we identified which NSET commitments played into that prioritisation. Prioritisation was very tough because of the overall financial envelope that we had to play with. However, markers saying that things are an NSET project were factored into decisions about priorities overall. That process influenced and had a role in informing decisions.”

The Committee accepts the challenges involved in providing details of long-term funding and investment to deliver NSET. It is disappointed however that the Scottish Government was unable to provide any cost information for current NSET projects and the source of this funding. The Committee

suggests that this may be an area the EFW Committee wishes to pursue in more detail with the Scottish Government.

Evaluation of the NSET

One of the briefing's key messages states—

“The Scottish Government is still developing its evaluation approach for the NSET. With continued pressure on public finances, the Scottish Government needs to better understand which NSET activity is making the most difference and demonstrate clearly how this is contributing to the outcomes it wants Scotland to achieve”.

During the evidence session on 9 May 2024, the Director-General appeared to accept this recommendation stating—

“There are valid questions to be asked about the specificity of the outcomes and actions, and the timing associated with those actions. At this stage, when we are more than two years into a 10-year strategy, it is natural to think that we ought to be able to provide more specificity there.”

The Director-General went on to confirm that this was an area that would be raised with ministers “as part of a refresh”, while highlighting that there had not yet been the opportunity to discuss this with the new cabinet secretary.

The Committee is encouraged that the Scottish Government appears to be giving consideration to its evaluation of NSET, to better understand what activity is making the biggest difference in transforming Scotland's economy. The EFW Committee may wish to explore what progress has been made in this regard, particularly if there are no plans to refresh the NSET.

NSET and regional economic development

During the evidence session with the Scottish Government on 9 May, one Committee Member asked how national strategic funding decisions, driven through the NSET, link to regional economic development for the area they represent in Ayrshire. The Director for Economic Development responded—

“The regional economic partnership in Ayrshire is developing, and it is the appropriate vehicle to articulate the specific strengths of the region and the opportunities that you want to address. There should be a constant dialogue between those regional economic partnerships, which include access to all our national programmes and agencies. They should be making those priorities clear, engaging with us and making the best of the national programmes.”

The Committee remains unclear how the NSET interacts with regional economic development partnerships, and that there may be scope for these arrangements to be improved. The EFW Committee may wish to consider this matter further, as part of any future scrutiny of the NSET.

I hope that this letter is helpful in informing any future work planned on the NSET.

Yours sincerely,

Richard Leonard MSP
Convener