



OFFICIAL REPORT
AITHISG OIFIGEIL

Economy and Fair Work Committee

Wednesday 18 January 2023

Session 6



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Pàrlamaid na h-Alba

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ECONOMY AND FAIR WORK COMMITTEE

2nd Meeting 2023, Session 6

CONVENER

*Claire Baker (Mid Scotland and Fife) (Lab)

DEPUTY CONVENER

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

COMMITTEE MEMBERS

*Maggie Chapman (North East Scotland) (Green)

*Jamie Halcro Johnston (Highlands and Islands) (Con)

*Fiona Hyslop (Linlithgow) (SNP)

*Gordon MacDonald (Edinburgh Pentlands) (SNP)

*Graham Simpson (Central Scotland) (Con)

*Colin Smyth (South Scotland) (Lab)

*Michelle Thomson (Falkirk East) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Aidan Grisewood (Scottish Government)

Richard Rollison (Scottish Government)

John Swinney (Deputy First Minister and Cabinet Secretary for Covid Recovery)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy and Fair Work Committee

Wednesday 18 January 2023

[The Convener opened the meeting at 09:32]

Decision on Taking Business in Private

The Convener (Claire Baker): Good morning and welcome to the Economy and Fair Work Committee's second meeting of 2023. Our first item of business is to make a decision on whether to take items 4 to 6 in private. Are members content to take those items in private?

Members indicated agreement.

Budget 2023-24

09:32

The Convener: Our next item of business is an evidence session on the Scottish Government's 2023-24 budget. The budget was published on 15 December 2022 and the stage 1 debate on the Budget (Scotland) (No 2) Bill is expected to take place in the next few weeks. Today's evidence session is on the areas in the budget that come within the committee's remit.

I welcome John Swinney, Deputy First Minister and Cabinet Secretary for Covid Recovery. He is joined by the Scottish Government officials Colin Cook, director of economic development; Aidan Grisewood, interim director of economic strategy; Kathleen Swift, head of the economic directorate finance unit; and Richard Rollison, director for international trade and investment.

As always, it would be helpful if members and witnesses could keep their contributions as concise as possible.

I invite the Deputy First Minister to make a short opening statement.

The Deputy First Minister and Cabinet Secretary for Covid Recovery (John Swinney): Good morning. I welcome the opportunity to give evidence on the Scottish Government's draft budget for 2023-24 and the delivery plans for the national strategy for economic transformation. If it is acceptable, convener, I will make opening remarks that cover both those areas.

The national strategy and the budget support our long-term aims and ambitions for transformation to a stronger, fairer and greener economy and, in the short term, although our levers are limited, they provide immediate support for our businesses through the current cost crisis. That crisis continues to present a significant challenge. The latest inflation figures, which were published this morning and cover December 2022, show that inflation remains very high, at 10.5 per cent.

When facing some of the most turbulent economic and financial conditions that most people can remember, the Scottish Government has had the difficult task of providing as much support as possible while our budget is lower in real terms than it was in 2021. That means having to make difficult choices in the coming financial year. We have chosen to concentrate our efforts on eradicating child poverty, providing sustainable public services and transforming the economy to deliver a just transition to net zero. The national strategy provides the right foundations on which to transform our economy and helps to secure better

outcomes as we emerge from these difficult conditions.

In setting the budget and developing the NSET delivery plans, we have firmly prioritised the actions that will give us maximum return on our strategic objectives. In the coming financial year, we will introduce measures to boost entrepreneurship and productivity across sectors and regions, and to invest in our infrastructure.

We are committing to funding the transition to net zero not only to meet our climate change targets but because it will help us to realise our long-term economic ambitions, which will bring investment, jobs and growth.

The skills and employability aspects of NSET are also being supported so that more people can access more job opportunities now and in the future, which will help some of the most vulnerable in our society into employment and improve their wellbeing.

We have consulted the public, private and third sectors throughout the development of NSET, and we will continue to work in partnership with them as we push forward with delivery.

I appreciate the committee's pre-budget scrutiny and report. As well as being given the opportunity to respond to that, I look forward to discussing with the committee some of the points that I have outlined.

The Convener: Thank you very much, cabinet secretary. You referred to the letter that you received from the committee on the areas that we considered as part of our budget consideration. Notwithstanding the significant economic challenges that Scotland is facing due to a number of external factors, pressures on the budget have led to difficult decisions being made. One such decision was a reduction in spending for employability services.

The Fraser of Allander Institute has published a report on and an analysis of that decision. When the committee took evidence from businesses, they talked about the tightness in the labour market and the value of bringing those who are furthest away from it into employment.

I asked the First Minister about the cuts at the Conveners Group, and we have had letters from Richard Lochhead and, I think, from you about that. The £53 million was money that had not been spent. It looks as though we are being told that there is nothing to worry about here, but a reduction has been made. Had that money not been committed? Is that why the decision was taken?

John Swinney: If you will forgive me, convener, I fear that this will be a long answer, but I will try to be as quick as I can. Essentially, as the financial

year has progressed, the scale of the pressure on our budget has become more apparent as a result of two factors. The first of those is the additional resources that we have had to find for public sector pay. We budgeted on that being 2 per cent; clearly, we are paying more than that to address the legitimate claims of employees. The second is the effect of inflation, for which there has been no change in the resources that are available to the budget.

I have had to take some pretty difficult decisions to balance the budget. As I explained to the Finance and Public Administration Committee last Tuesday, I am still not in a position to be confident that I can balance the resource budget this year. I am still—it is now mid-January—wrestling with the scale of the financial pressure. I need to save between £200 million and £500 million before I can balance the budget.

In trying to get to that position, I had to make reductions in planned expenditure. As you correctly pointed out, one of those reductions was to employability programmes. I removed a projected increase in the budget. I did not take away any spend that was being delivered; rather, I did not put in place a planned increase.

The opportunity cost of that, convener, which I think is the point that you are driving at, is a fair issue to raise. The more we can spend on employability, the more we can erode the levels of economic inactivity in society. That is because the programmes that we work on and fund, as distinct from the programmes that the Department for Work and Pensions funds, relate to the group of individuals who are furthest from the labour market and require much wider and more holistic support to get them back into employment.

I accept that the opportunity cost is that we could have put in place programmes that would have provided opportunities for more people to re-enter the labour market, but I will set out two factors to reassure the committee on the understandable concerns that the convener has put to me.

First, yesterday's employment data showed a fall in economic inactivity of nearly 1 per cent in the year, which is quite a substantial reduction in economic inactivity levels, given that many people in that category face significant challenges. It is a much higher reduction in economic inactivity than there has been in the rest of the United Kingdom.

Secondly, when I took that decision, there was, and there remains today, capacity in our existing employability programmes to take on new individuals—if an individual wanted to re-enter the labour market and required support, there would still be capacity in our employability programmes for them to do so.

Finally, for completeness, the budget envisages an increase in employability support in the next financial year, so although I have had to take a short-term decision to remove planned expenditure in order to help me to balance the budget, we are increasing the resources available for employability support in the forthcoming financial year.

The Convener: That is helpful to know. How much will that increase be? Will it compensate for the £53 million cut?

John Swinney: No, it will not.

The Convener: Is it £68 million minus £53 million?

John Swinney: It is an increase of about £11 million, so it is not of the scale that was originally envisaged.

The Convener: When you talked about NSET, you stressed the importance of helping the vulnerable into employment as part of the 10-year strategy. Although I accept that, once we have subtracted the £53 million, there is a net gain to the employability budget of £11 million, is there an intention to increase investment in that area in future years? You have recognised that there has been a loss of opportunity here, in that activity that was planned, or that was seen as important, will now not take place because of the reduction in the original increase.

John Swinney: The question really relates to what the necessary capacity is that we need to have available in the employability budgets to support the return of people to the labour market. We had projected a significant increase in those budgets for the current year, which we have not been able to fulfil because of the issues that I have raised. We would look to support that activity as much as we can in recognition of the effectiveness of such expenditure, so I will monitor the situation very carefully.

I also give the assurance that one of the issues that I looked at in taking the decision in question was the capacity of programmes to deliver support to individuals. There is almost a demand-led element to the employability programmes. If we see during the course of the financial year that demand for them is rising and we are finding it difficult to meet the demand in the labour market, I will obviously look to address that issue during the financial year, if possible.

The Convener: That is helpful. The committee is about to undertake a short inquiry into the disability employment gap, so that will help to inform our discussions.

John Swinney: It will be helpful for the Government to understand the committee's deliberations on that question. It is clear from the

labour market data that was published yesterday that we find ourselves in a position in which employment is at a record high and unemployment is very low, at 3.3 per cent. Despite the fact that we are experiencing enormous volatility in economic conditions, employment remains very high and unemployment very low.

I have a couple of observations to make about that. First, that situation might not be sustained, because a lot of economic turbulence is coming our way. Secondly, we must be mindful of the importance that NSET attaches to increasing the value of employment. That is a major consideration in the approach to employment support, employability and economic development that we take as part of our wider programme.

The Convener: Thank you. At this point, I will bring in other members, who will initially focus on the areas that we wrote to the cabinet secretary about. We will start with Gordon MacDonald.

Gordon MacDonald (Edinburgh Pentlands) (SNP): Good morning, cabinet secretary. I want to ask about the pressures on businesses. You mentioned that inflation is at 10.5 per cent, and there are the high energy costs and labour costs that flow from that. What support has the Government put in place for businesses in the areas in which it has responsibility, given that businesses are looking for some form of certainty so that they can plan for the recession that is being forecast?

09:45

John Swinney: There are several areas in which the Government is trying to provide support, within our resources and areas of responsibility. First, there is the approach that we are taking on non-domestic rates. The principal request of 16 business organisations was for the rates poundage to be frozen. Normally, there would be an expectation that that would increase in line with inflation. I took a decision to freeze the business rate, but that does not come without a cost to the Government, which is estimated at £308 million. Freezing the business rate means that businesses in Scotland have the lowest business rates poundage in the United Kingdom, and they also do not have to face an inflation increase.

Secondly, recognising the implications of the revaluation that is taking place, we have put in place some transitional relief for businesses. Thirdly, the small business bonus scheme is designed to provide support to companies in sustaining their operations. I do not suggest for a moment that all of that will address all the issues.

We have engaged in dialogue with the UK Government on its successor energy package and have contributed our thinking on that, but those

are decisions for the UK Government. I welcome the fact that some on-going support is available, but I think that we are all conscious of the fact that there continue to be significant challenges for businesses as a consequence of those issues.

In addition to those measures, the Government makes other investments, such as in support for skills training, which is important, and, in particular, apprenticeships. That is linked to the points that the convener rightly raised with me about the labour market. We also make other investments in an effort to ensure that colleges are adapting their provision to meet the challenges that are prevalent in the labour market and the shift in the labour market that has to be made to support our net zero ambitions—I am thinking about the need to shift activity to support the development of renewables and the significant opportunities that arise out of ScotWind.

Those are just some of the measures that the Government is taking. We remain very open to listening to the views of the business community, which is why we set up the business regulation task force, which is jointly chaired by my colleague Ivan McKee and the Convention of Scottish Local Authorities enterprise spokesperson, Councillor Macgregor. The purpose of the business regulation task force is to listen carefully to business; where there are issues in the regulatory environment that are causing obstacles and there is no good reason for them to be there, we try to address those as quickly as we can.

Gordon MacDonald: You touched on the small business bonus scheme. When it was introduced in 2008, roughly 60,000 premises benefited from the scheme; that figure is now more than 100,000. How is the scheme helping businesses in Scotland in financial terms?

John Swinney: As Mr MacDonald correctly identifies, there are now more businesses benefiting from the small business bonus scheme than there were when we set out that scheme. I should point out that we have put in place further incentives in the non-domestic rates scheme for companies involved in renewables to try to tailor the relief package and encourage more development. I expect the number of properties that will benefit from business rates to be about 100,000. We also have some transitional relief available for small companies in that respect.

The Convener: The Fraser of Allander Institute carried out an inquiry into the small business bonus scheme at the request of the Scottish Government and Tom Arthur, as the minister responsible, who has answered a few questions in Parliament on the issue. Is there an update on the Government's consideration of that work? What steps are being taken next in that regard?

John Swinney: These commitments have the hallmark of being part of the fabric of our proposition, but we have to make an active choice to maintain such schemes. The Government has considered the issues that have been raised in this area of policy and determined that our small business community continues to require that degree of support.

We have tried to address some of the issues through the design of the transitional relief scheme that is available, and we constantly monitor and assess the continued appropriateness of the companies that are involved in the small business bonus scheme and the appropriate levels at which business rates relief should be set. Some of the thinking from the Fraser of Allander Institute helps us in that respect.

The Convener: Colin Smyth has a supplementary question on business rates.

Colin Smyth (South Scotland) (Lab): I have a brief question on business rates, Deputy First Minister. Last year, the approach to reliefs was recognised as being less generous than that in England and Wales. This year, the Fraser of Allander Institute, in its budget response, stated:

“This year, John Swinney has seemingly taken an even more hardline approach and there are no additional reliefs applied to hospitality and retail as is the case south of the border.”

Given the real pressures on those sectors, which the committee highlighted, why was that choice made? I appreciate that there is a freeze in the multiplier, and relief for renewables, but why is there no specific relief for the hospitality and retail sectors, given the pressures that they are under?

John Swinney: I understand the comparison that Mr Smyth puts to me, but it is important to recognise that we are not looking at directly comparable schemes with regard to what Scotland offers in relation to business rates and what is habitually offered in England. We have two different propositions, and the small business bonus scheme in Scotland is much more generous than comparable schemes south of the border.

Of course, any measures that we take come at a cost. The overall estimated cost of the business rates measures that we are taking is £744 million, so substantial investment is being made in supporting business.

One of the factors that bore heavily on my consideration of what the right thing to do would be was the representations from business organisations asking us to freeze the poundage, which represents a comprehensive approach across business sectors. I was pleased to be able to do that.

The second relevant factor is that we estimate that half the properties in the retail, hospitality and leisure sectors will be eligible for 100 per cent small business bonus relief in 2023-24, so a substantial contribution is being made to alleviate the issues and challenges that those sectors will face.

Michelle Thomson (Falkirk East) (SNP): Good morning, Deputy First Minister. Thank you for attending today's meeting.

I want to follow up on a deeply held interest of mine: the role of women and their contribution and entrepreneurialism. Our pre-budget calls mentioned disaggregation of data and progress on the women's business centre. I thank you for the replies from the Scottish Government, but the ironic thing is that, in our pre-budget letter last year, we also asked about disaggregation of data.

Before I ask my questions, I say that I recognise the worthwhile efforts of the Scottish Government to promote this area, and we all look forward with interest and anticipation to Ana Stewart's review.

Setting that aside, I have three simple questions to move us away from the review and get under the skin of what is a structural issue. First, can you play a part in ensuring that all data that is collected by the Scottish Government is routinely disaggregated by gender?

John Swinney: I think, generally, that that would be the case. If you have specific data sets in mind, I would be happy to look at whether we can enhance them but, generally, we try to look at all issues through the prism of gender. The point that you put to me about entrepreneurship is particularly relevant, because the data that I have seen shows that there is a deteriorating position in relation to women's involvement in entrepreneurship, hence the work that Ana Stewart is taking forward for the Government.

Michelle Thomson: I do not know the data sets in their entirety, so it is hard for me to say that something is missing. That, perhaps, speaks to the problem, because if we do not collect the data routinely, we will not be able to see the complex patterns. In principle, I am asking you to, as a minimum, commit to undertaking a review of when data is disaggregated by gender—and, critically, when it is not—and you could then return to us with a compelling reason why it should not be.

John Swinney: We know already from data that the percentage of women-led small and medium-sized employers in Scotland has reduced from 20 per cent in 2015 to 14 per cent in 2019. That is an issue of real concern to us, and it prompted Ana Stewart's review. We also know from other data that females in Scotland are about half as likely as males are to be early-stage entrepreneurs. The

data already tells us that, hence the action that we are taking.

I would not want the committee to feel that we do not have the data to prompt the action that we need to take, such as the review, because I think that that data exists, and I have placed it on the public record today.

I am certainly happy to take away the questions on data and to respond to the committee. Some of those issues might be part of what Ana Stewart ends up recommending. That is speculation on my part, but I think that it would be sensible for me to wait to see what Ana Stewart produces and then to reflect on the issues that you are putting to me in the context of our response to her.

Michelle Thomson: As I said, we all await that report with great interest and anticipation, and, having had Mark Logan before the committee last week, I have high hopes for it.

I have a follow-on question. Are you able to make it compulsory for any agency that receives money from the Scottish Government as part of its fair work agenda—or, indeed, any other business initiative—to routinely collect data disaggregated by gender? I have asked about that a number of times in this committee, so I can tell you categorically that they do not routinely do that, which I find quite shocking.

John Swinney: What kind of questions have you asked?

Michelle Thomson: Two examples spring to mind. I asked whether a business agency routinely disaggregated its research data so that it could understand the breakdown by gender, and the answer was that it did not. I also asked a commerce and development agency whether it routinely did that, and I received the same answer. I would expect that to be done, as a minimum.

I suppose that what I am asking is whether, regardless of Ana Stewart's review, you agree that, as a minimum, any agency that receives money from the Scottish Government should routinely gather and disaggregate that data.

10:00

John Swinney: I think that that is an entirely reasonable proposition, but I will take it away and consider it in detail.

Michelle Thomson: I have a final question on the same theme. You might not be able to answer this just now, but I would like you to give consideration to setting targets to increase the participation of women, particularly with regard to entrepreneurialism, and to give firm consideration to—and, if this is not possible, to say why you

cannot do it—making any funding conditional on meeting those targets.

John Swinney: On the first part of your question, I would be very surprised if we do not end up in such a position as a consequence of what Ana Stewart recommends to us. I am simply trying to get my process correct: we have commissioned the review and we will hear what the outcome is. I would be absolutely staggered if we do not end up taking specific measures to enhance the participation of women in entrepreneurialism as a consequence of Ana Stewart's review. I think that that is highly likely but, regardless of what the review produces, the Government is committed to taking such action. That is why we have commissioned Ana Stewart to do the work that she is undertaking.

Your question about conditionality is much wider. If I play back what you were proposing, that would mean that, in the future, we would fund Scottish Enterprise only if it met particular targets on particular aspects of women's participation in entrepreneurialism. There is nothing wrong with that as an idea, but I think that it would have wider implications for the future sustainability of organisations such as Scottish Enterprise.

We have not used the conditional funding model for public sector agencies. I am not saying that there is not an argument for it; there is a perfectly legitimate argument for it. Indeed, it might be a way of prompting the type of performance outcomes that we want to achieve, so I am not dismissing it. I am simply saying that it would require wide consideration of the nature of public expenditure and how we go about that. I think that Parliament would have some pretty broad views about that.

Michelle Thomson: I completely agree. I agree that it is complex and that it is a case of being careful what you wish for, particularly when it comes to early-stage industries. However, we should look at such an approach with an open mind and stress that agencies will have to do so, too, as a way of shifting the dial. Mark Logan, who appeared before the committee last week, was clear about the fact that the initiatives that are under way are good in and of themselves, but what he emphasised, and what drives me, is that we should start to plant the trees that will effect structural change. Unless we ask such hard questions and start to look much more firmly at conditionality in areas in which we can be clear about, or at least make a good assessment of, the outcomes, we will carry on producing worthy reviews—I agree that reviews such as the Stewart review are worth while—but we will not shift the dial.

John Swinney: I will highlight our experience in relation to the point that Mark Logan made to the

committee about the health of early-stage entrepreneurial activity in Scotland today. I attribute that to seeds that were planted pretty close to 10 years ago, when I took a decision to invest in Scottish EDGE, which has created a vibrant entrepreneurial community.

There was a lot of risk involved in that. When I was being advised on what I should consider when supporting such a scheme, I was properly advised of the degree of risk involved because of the likelihood that there would be business failures and reputational risk to the Government as a consequence. However, my view was that that was a risk worth taking. What has it done over all those years? It has created exactly what Mark Logan said to the committee.

That was not always the case—10 years before that, there was substantial concern about early-stage entrepreneurial activity in Scotland. I think that we largely arrested and resolved that problem by taking appropriate decisions about eight or nine years ago.

The challenges that we now need to focus on—many of our other measures, particularly those around the Scottish National Investment Bank, are supporting this—relate to scaling up business activity when we have the necessary investment capital to enable new-start businesses in Scotland to flourish and become much more significant contributors to the economy.

Michelle Thomson: Thank you.

The Convener: Before I bring in Graham Simpson, I have a quick question about our budget letter. We asked about the women's business centre, which the Government had committed to. The Government's response does not provide much confidence that that remains a policy commitment—it seems to be conditional on Ana Stewart's review. Is there still a commitment to a women's business centre in relation to the £50 million?

John Swinney: We have a continuing commitment to the women's business centre. However, for completeness, the Government believes that we should look at how we will take that forward in the light of Ana Stewart's review.

One of the points that I put on the record when I set out the budget statement to Parliament was that, given the financial challenges that we face, there might well be some policy commitments that take us longer to deliver than we would have wanted, simply due to the financial pressures, including higher inflation, with which we are wrestling.

The Convener: The question was about how the £50 million will be spent this year. If we could

get a note about that following the meeting, that would be helpful.

John Swinney: Okay.

Graham Simpson (Central Scotland) (Con): I want to follow up on that last question. I am a little confused by your answer. Is there going to be a women's business centre or not?

John Swinney: We remain committed to the policy concept of a women's business centre. However, for completeness, it would be best to consider how we will take that forward in light of the review by Ana Stewart, once we have received it.

Graham Simpson: Okay, I will leave that there.

You mentioned the Scottish National Investment Bank; I will ask you about that in a moment. First, I want to ask about the line in the budget that relates to Ferguson Marine Engineering Ltd, which had £47 million in 2021-22, then £35.9 million in 2022-23, which will go up to £60.9 million in 2023-24. When we look at the money that has been given to the yard, it is almost like watching an episode of "Ant and Dec's Limitless Win"—there does not seem to be any kind of cap. Can you guarantee that the £60.9 million that has been allocated for 2023-24 is it, or will there be more?

John Swinney: I certainly hope that that is it.

Graham Simpson: That is not a commitment.

John Swinney: I am required to give the committee honest answers. I hope that that is the last that we will have to contribute for the construction of vessels 801 and 802.

Graham Simpson: Do you have a maximum in mind?

John Swinney: Let me be crystal clear—it is my hope that that money will be the last. The assessment by the yard of what it requires is what I have provided for in both the additional commitment of about £15 million that I have allocated in the current financial year and the sum that is provided for in the budget for 2023-24. I am responding to the plans that have been put to me by the yard. The Government scrutinises the propositions that are put to us. I hope that that is the last contribution that we will have to make.

Graham Simpson: I have a question about the Scottish National Investment Bank, because it is also receiving a real-terms increase in funding. What is that based on? Are you expecting the bank to deliver anything in particular? Has it come forward with particular projects that have whetted your appetite and prompted you to give it that extra funding?

John Swinney: The Government made a commitment to invest about £2 billion in the

Scottish National Investment Bank over a 10-year period to support investment in ventures that would generate significant economic impact and financial return in the Scottish economy. The budget provides for building up that investment. As we build it up, the Scottish National Investment Bank takes decisions about what investments it makes.

For example, in early December, the bank announced investment in a company called North Star Shipping Ltd. It is providing £50 million in a £95 million capital expenditure facility to allow the business to expand its fleet of service operation vessels, which are expected to support offshore wind projects in Scotland. That is a very good example of the bank using its resources.

The bank considers all the risks of an investment, because, as committee members will appreciate, there are no guarantees about such investments. Organisations such as the Scottish National Investment Bank must assess their investments. The bank considers whether there is a long-term business opportunity and whether there will be a return on the investment that it provides.

There will be other ventures of that type, where the bank will make an assessment and will draw down from resources that the Government has provided.

Graham Simpson: You have decided to give the bank a real-terms increase. What are you expecting in return for that?

John Swinney: I expect the bank to invest in companies that will deliver economic and employment benefits to Scotland, and that investments will generate financial returns for the bank, so that we see a return on our investment that can then be utilised in future years for long-term patient investment.

Graham Simpson: Can you or your officials tell us how investments are monitored? I have looked at one company that the bank has invested in, called TravelNest. It was awarded £5.5 million last year. The company helps property owners to advertise their holiday rentals on sites such as Airbnb.com, Booking.com and others. It struck me that such companies might be able to fund that themselves. I looked TravelNest up on the Companies House website: it appears to have an address in London rather than in Scotland. How is that monitored?

John Swinney: The Scottish National Investment Bank looks at propositions that are designed to create economic and employment benefits within Scotland as a consequence of their activities. They might not be uniquely concentrated in Scotland, because companies operate in a far wider context. I highlighted the £50 million

investment in North Star. I suspect that not all of that money will be spent uniquely in Scotland, because of the nature of that company's activities.

I assure the committee that we expect the Scottish National Investment Bank to assess the business case for an investment and what the returns are likely to be, because there must be a return.

However, there is, on my part, an acceptance—which I would prefer was not the case, but I have to live in the real world—that some investments might not be successful. That has always been part and parcel of the issues that we have wrestled with in relation to Scottish Enterprise. Some of the investments that it makes do fantastically well, but others do not do so well. We have to look at things in the round. I remember an early conversation that I had, when I became a minister many years ago, with the leader of Scottish Enterprise, who wanted to go through some of the challenges with me so that I would be aware that I might have to defend investment that was not successful. I accept that; the quid pro quo is that other investments must be successful, to balance that out.

10:15

Graham Simpson: That is the nature of investment—some will work, but some will not. I am not picking on that particular company; I just happened to look at it and it struck me that it might not be particularly Scottish. I appreciate that you want a return from our investment, for Scotland. I am happy to leave it there.

The Convener: Jamie Halcro Johnston has a supplementary.

Jamie Halcro Johnston (Highlands and Islands) (Con): My question is on the Scottish National Investment Bank. About a year ago, on 27 January 2022, Eilidh Mactaggart resigned as chief executive of the SNIB. Sarah Roughead has been the interim chief executive. Obviously, leadership in the organisation will be key, going forward. Can you give an update on where the bank is in terms of appointing a new chief executive?

John Swinney: The process has been ongoing. In the bank's last appointment consideration a candidate emerged, but decided not to take the post. That is the fairest way for me to capture what happened. Sarah Roughead continues to exercise chief executive responsibilities, under the leadership of Willie Watt as chair of the Scottish National Investment Bank, and the bank continues to make the progress that the Government envisaged. The recruitment process continues.

Jamie Halcro Johnston: Will the process have to restart because that one candidate did not want to take the job, regardless of the reasons?

John Swinney: The process is being undertaken by recruitment consultants, so the short answer is yes.

Jamie Halcro Johnston: Do you have an estimate of when there might be an appointment?

John Swinney: We would like the process to be completed as soon as possible, but only with the right candidate.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I will continue on the SNIB, to get a better understanding about the funding side. SNIB has, largely, been capitalised using financial transactions, which come with certain restrictions on use and have to be repaid over the long term. In the back of my mind, I have a memory that the period is 30 years or something for repayment, but that might be historical; I do not know. The bank has said that it is pursuing regulatory approval that would enable it to manage third-party funds and increase its total capital resources. Have you considered allocating other forms of funding outside of financial transactions, which might give SNIB a bit more flexibility?

John Swinney: That option is available to me, but it is very much conditional on the wider pressures on the public finances and the programmes that we would be expected to fund and support. Financial transactions are really quite appropriate as a mechanism for securing investment in the Scottish National Investment Bank. The nature of the repayment that is required for financial transactions leads them to be appropriate in relation to issues that Mr Simpson raised with me about the need for recognition of the importance of getting a return. The mechanism is appropriate at this time, but there is a wider agenda about the regulatory strength of the Scottish National Investment Bank. It is pursuing steps in developing the critical foundations for the bank to take forward its investment activities.

Colin Beattie: Have the nature of the capitalisation and restrictions around it impacted on the range of investments that SNIB is able to make? I am aware that, although there are restrictions, it can still invest in private capital, private equity and so on. Are there areas in which SNIB might have wanted to invest, but which it is precluded from investing in?

John Swinney: I do not think so. All SNIB investments have to be made on a commercial basis. The bank is able to make judgments on the ventures that merit its support and investment. It has successfully developed a strong view on the role that it can perform in being an enabler of other investment. When the bank is able to invest in a

particular proposition, that gives rise to potential investment from other parties, a consequence of which is that ventures are better supported.

I do not think that the bank operates under any particular constraints on its being able to fulfil the remit that the Government has set for it, but the bank is on a journey to develop its financial strength and reputation, and the steps that have been taken are encouraging.

Colin Beattie: You mentioned that the Scottish Government wants to put £2 billion over 10 years into SNIB. Do you anticipate that the same form of capitalisation will be used, and is there confidence that that type of funding will continue to be available, given its nature?

John Swinney: SNIB is a long-term proposition for the Government. I describe it as, in essence, a long-term source of patient capital in the Scottish economy. We envisage SNIB being able to perform the role on a long-term basis; obviously, that has to be a long-term commercial basis. The issues of repayment and returns are significant, and we are keen to ensure that over the long-term lifespan of SNIB, it continues to perform that role in the Scottish economy.

Colin Beattie: On the nature of the capitalisation, is there a risk that funds from that source might not be available in the future, or are you comfortable that they will be?

John Swinney: Use of financial transactions is relevant to the United Kingdom Government's current arrangements and plans. The Scottish National Investment Bank is an effective means for the Government to utilise the financial transactions funding that is made available by the United Kingdom Government. Financial transactions cannot be readily used for many other aspects of public sector activity, so that arrangement is quite suitable.

I am not privy to the future direction of United Kingdom Government policy on the matter, but the option remains available for the Scottish Government to continue its investment alternatively through traditional capital investment in the Scottish National Investment Bank.

For completeness I point out, on the earlier points that I made on leveraging in investment, that the bank has so far committed £366 million to 24 projects, which has levered in £526 million of private sector investment. I say that to provide some detail on the point that I made about the bank being an enabler—its being able, by its actions, to encourage and enable investment from other sources.

Fiona Hyslop (Linlithgow) (SNP): Good morning. It is clear that the tourism sector provides sustainable economic growth across Scotland. We

know that the sector is under particular pressure for lots of reasons, but we also know that spending by international visitors is one of the areas that can help the sector to recover. The committee previously expressed the view that support should be given to VisitScotland—in particular, for its international marketing. VisitScotland's budget was £65 million in 2021-22 and is proposed to be £49 million in 2023-24, which is a 2.7 per cent reduction since last year. The response from the Scottish Government to our request simply said:

“The VisitScotland Board will fully consider scenarios that will enable them to successfully carry out their marketing activity in light of the Scottish Budget.”

That does not really leave us with much comfort.

John Swinney: I want to provide reassurance to the committee on that question. One of VisitScotland's formidable strengths is the brand marketing activity that it has done by itself. VisitScotland has also gathered together the marketing activity of a range of organisations—essentially, to promote Scotland to a wider audience. That has been a long-term ambition of the Government; Ms Hyslop played a significant role in enabling it to happen.

VisitScotland's record speaks for itself. It has an absolutely colossal reputation for marketing success and marketing recognition from many of its activities. That has persuaded a number of organisations to collaborate with VisitScotland through pooling resources to support international marketing activity.

I can reassure the committee on two fronts. First, VisitScotland is able to undertake domestic and international marketing activity. Secondly, it can do so in concert with a range of other organisations and can, I contend, as a consequence deliver much more effectively.

To put VisitScotland's financial position into context, I highlight the fact that there has in recent years been a strategic shift in VisitScotland's activity, in the direction of digital marketing. I do not mean this disrespectfully but, in some respects, the model for distribution of tourism and marketing information around the country in the past was a bit of a bricks-and-mortar model. Now, it is a much more digital model that can deliver much greater value for public expenditure.

Fiona Hyslop: I politely point out that that was happening in 2021-22, and that the shift in that regard probably took place about five years ago. I agree, though, that VisitScotland is very effective with its marketing spend.

I will move on to another area, which is the need for Scotland to improve its productivity rate. It is great that the gap between Scotland and the UK on that has been closed, but recruitment and retention are key issues, particularly in the current

labour market. The programme for government mentions support and funding for a pilot of a four-day working week. Where is the funding support for that in the coming year, and what is your view on the policy going forward? We are about to see the results of a UK-wide pilot, which I think will be positive. I do not want the Scottish Government to fall behind on that agenda.

John Swinney: Obviously, we take a range of steps to try to enhance productivity. A lot of what we do is associated with, for example, investment that we make through the university research channel. Our universities have responded positively over a number of years to our appeal to them to engage more closely with the wider business community to collaborate on business and economic research. We are now seeing much higher levels of collaboration and co-operation, which will in part help us to answer the question on productivity.

Our wider investment in skills is designed to do likewise. Obviously, we are operating in an incredibly tight labour market, which is putting additional pressures on the work that we can undertake to ensure that the needs of the business community are properly and fully reflected in the support that we make available to ensure that businesses have access to the productive skills that they require. However, I acknowledge that that is an on-going and significant challenge that we have to face.

10:30

Work on the four-day working week pilot is being undertaken under the budget lines on fair work. We will take forward work on the four-day working week pilot as part of the 2023-24 programme. That will obviously be part of the wider agenda of improving the productive capacity of the Scottish economy, on which the national strategy is focused.

Fiona Hyslop: Finally, I will move on to the issue of jobs and skills in the renewable energy sector. Yesterday, in the Net Zero, Energy and Transport Committee's session on the budget, the cabinet secretary Michael Matheson talked about the opportunities in that sector, and I questioned him specifically about hydrogen. He said that the constraints in the renewable energy sector are largely to do with the availability of labour—we know that there are real pressures on that—as well as planning consents and skills.

In a tight labour market, it is important to be able to transfer the skills that we have already. Looking at the budget lines, however, and the pressures in this portfolio, Scottish Enterprise now has a clear emphasis on the issue and finally has hydrogen as one of the key sectors. There is also a big focus

on inward investment. If all the funding is focused on inward investment, how can we ensure that domestic companies are being supported in relation to jobs and manufacturing? It would be helpful if you could go through that.

John Swinney: That is a fundamental and critical question for realising the opportunities that will arise in the offshore wind environment. I will just make one comment in relation to what Michael Matheson said yesterday about planning consents. I recognise that the issue is of great significance to ensuring that those who are involved in that activity are assured of an efficient and effective planning consent process to enable them to make decisions about the investments that they make within a reasonable timescale.

It is important to address the substance of Ms Hyslop's question across a number of areas, such as the roles of colleges, the skills environment and the work of the Scottish National Investment Bank, to take just three particular elements. I do not particularly want to live by anecdote with the committee this morning but, as an example, I had a conversation that warmed my heart with an entrepreneur who is involved in the offshore wind sector and who wanted to develop a facility in Ayrshire. The particular skills that he needed were not available in Ayrshire, but he wished to pursue his venture in that area. He engaged in a constructive dialogue with Ayrshire College, and the college put in place a course to train employees to meet his requirements in partnership with the college.

That is a splendid example of the college sector adapting its provision to meet the needs of a substantial economic opportunity in its locality. That must be reflected and mirrored in other parts of the country. Ms Hyslop knows the college sector intimately, particularly that of her constituency of West Lothian, and she will therefore know that the outlook of colleges is that they wish to seize such opportunities.

The second area is skills development. Obviously, there has been some interruption to the progress of the apprenticeship scheme. Prior to Covid, we were on course to have 30,000 modern apprentices. Skills Development Scotland is now ready and programmed to deliver the 25,000 modern apprenticeships that are envisaged in the budget programme, and obviously they will be available to the renewable energy sector.

Thirdly, part of the Scottish National Investment Bank's mission is to invest in the Scottish Government's net zero aspirations. In my response to Mr Simpson, I cited an example of specific net zero related investments that the bank has made. The committee should be assured that investment vehicles are available to support and nurture the development of Scottish companies

that can realise some of those manufacturing ambitions within Scotland.

Fiona Hyslop: Michael Matheson made it clear that the planning constraints are being addressed by upskilling and expanding his areas of responsibility in terms of staffing. I hope that you can support that, as finance secretary.

Could you address my question about Scottish Enterprise's focus and that of Scottish Development International? Will the focus be only on inward investment, or can you reassure us that Scottish Enterprise's work will also support the supply chain?

John Swinney: It will be about assisting the domestic supply chain. Just before Christmas, a range of interested parties, principally from the Government and Scottish Enterprise, along with ministers—Michael Matheson and Ivan McKee were involved in the discussions—met to ensure that we have an aligned approach to the development of the hydrogen proposition in Scotland. Mr McKee and I met the board of Scottish Enterprise shortly before Christmas for its annual strategy discussion, and we spent most of that meeting speaking about hydrogen and the net zero opportunities. Scottish Enterprise, with the leadership of Adrian Gillespie as chief executive, who has formidable experience in that area, will be concentrating and focusing on that proposition.

Colin Smyth: It is widely recognised that we are in a recession. The Deputy First Minister said that, despite the fall in the level of labour inactivity, we could be at a labour market turning point as we are seeing vacancies fall and redundancies rise. However, in addition to the funding cut to VisitScotland, as highlighted by Fiona Hyslop, the enterprise agencies will also have their overall funding cut. Scottish Enterprise will have 4.9 per cent cut in real terms; 5.5 per cent will be cut from Highlands and Islands Enterprise; and South of Scotland Enterprise will have a 9.7 per cent cut, which continues a longer-term trend. What are the reasons for those cuts? What assessment have you made of how they will impact support for businesses?

John Swinney: It is important that I put a few things on the record about those numbers. For example, the Scottish Enterprise resource budget is projected to increase from £135 million to £141 million. The budget for Highlands and Islands Enterprise is projected and resourced to increase from £29.6 million to £29.8 million. The South of Scotland Enterprise budget is projected to increase from £14.8 million to £15.1 million. All three of the enterprise agencies' budgets are projected to increase in cash terms.

Colin Smyth: Deputy First Minister, those are revenue budgets. You have not mentioned the

cuts in capital. The overall level of reduction is quite clear in both real and cash terms for all three of the agencies, if we combine capital and revenue investments as well as other changes. It is not just revenue; it is capital.

John Swinney: No, I do not accept that. Scottish Enterprise's resource has gone from £135 million to £141 million, which is an increase of £6 million, and its capital budget is going from £80 million to £76 million, which is a reduction of £4 million—so there is a net increase of £2 million. For South of Scotland Enterprise, there has been an increase in resource and capital when those are put together.

Colin Smyth: What happens when you include financial transactions funding?

John Swinney: As I have said, financial transactions are a slightly different proposition. However, I would make the wider point—I was very candid about this in what I said to Parliament—that inflation is sitting at 10.5 per cent, whereas the budget has not increased by 10.5 per cent; it has not even increased by the gross domestic product deflator, hence the real-terms reduction from 2021 to 2022. I cannot allocate money that I do not have, so there have been tough choices.

I have multiple pressures—we are in the Economy and Fair Work Committee, but the Health, Social Care and Sport Committee is probably meeting somewhere else in the building just now and considering the colossal pressures in the health service. All budgets will be an attempt to deal with financial strain when resources are tight. I have tried to strike the most reasonable balance that I can. I will not disguise the fact that organisations face financial challenges and that they will have to change the ways in which they are working. I was explicit about those requirements when I set out the budget proposition to Parliament.

Colin Smyth: My question, before we started debating figures, was about how that will impact on support for business. What direction will you give to agencies about how to implement what, as you have said, is a very challenging financial budget for them?

John Swinney: We will set out letters of guidance to the boards of the three organisations that are involved, which will reflect the priorities of the national strategy for economic transformation. The agenda will be entirely consistent with the Government's wider agenda. We will look to those organisations to take forward those priorities, as they always do, within the constraints of the resources that we are able to make available to them. That might involve organisations changing the way in which they work and moving to more

digital propositions—there is scope for greater digital propositions in the delivery of services.

Fundamentally, as I said in answer to Fiona Hyslop, we want the enterprise agencies to be engaged in working directly with companies to increase and improve their performance.

Colin Smyth: Will we see a scale-back in direct investment for businesses from the agencies?

John Swinney: I do not think that that necessarily has to be the case. I have tried to provide a financial settlement that allows organisations to adapt to a much more pressured financial environment and to adjust their way of working to enable that to be the case.

Maggie Chapman (North East Scotland) (Green): Good morning, Deputy First Minister, and thank you for joining us. I want to pick up on a couple of points that we have touched on and to expand on them a bit.

In response to questions from Fiona Hyslop on tourism, you talked about digital connectivity and its importance for organisations in shifting marketing strategy. More broadly, digital connectivity is clearly important for local and regional economies and because of the shift in working practices as more people work from home. Entrepreneurs often start off at home and therefore require digital connectivity.

In the budget, we see a reduction of more than 6 per cent in digital funding, which is significant in cash terms compared to last year. The Government has noted that that relates to new spend profiles over the life of the programme. Can you give us a bit more detail on that? Importantly, what are the impacts on people who have been waiting for connectivity? How will that materially affect their ability to be connected?

John Swinney: That principally relates to the completion of the reaching 100 per cent—R100—programme, which as Maggie Chapman and the committee will know, has been taken forward over a number of years and is now operational in all parts of the country.

The commitment exists to achieve the objectives of the R100 programme. In essence, we are looking at the detailed delivery of that programme year by year. That approach takes into account the changing picture of investment by telecommunications companies as they roll out their investment programmes, too. As we have seen in recent years, as changes take place in the technology available and the ability of telecoms companies to broaden their networks, it reduces the scale of the challenge under the R100 programme. It is a combination of those two factors.

10:45

I recognise all the relevant issues that Maggie Chapman raises about the importance of digital connectivity and its centrality to the ability to live and work in a range of locations around Scotland. It is important to remember that we have made absolutely colossal strides forward in the availability of such digital connectivity around Scotland.

Maggie Chapman: Thanks for that helpful response. The geographical areas that are the most disconnected, in a wide variety of ways, have yet to see some of that connectivity. It is imperative that we get that right.

I will shift to another issue, which follows on from Fiona Hyslop's question about financing the just transition. We have spoken about skills and the importance of getting that element right. If we think about the Scottish economy and break it down into regional and local economies, we find an issue around ensuring that we sustain local supply chains. What do you see as the major challenges, other than the total sum of the budget, in the financial and investment decisions that regional economy boards and forums are or are not making around securing sustainable local supply chains?

John Swinney: That will vary around the country. Let me provide the committee with an example of a discussion that I had with the convention of the Highlands and Islands last autumn. I have chaired the convention of the Highlands and Islands on every occasion that it has met in the past 15 years—since we entered Government in 2007. I have rarely taken part in a more optimistic conversation about economic prospects in the Highlands and Islands; despite all the challenges, it really was a very buoyant conversation about opportunities.

However, one of the common themes of concern about the realisation of those economic opportunities was the availability of housing and of people. It was not just about the availability of affordable housing; it was about housing across all the different strands of the market, simply because of the challenges of delivery in more sparsely populated areas.

It is a different proposition to develop sites in West Lothian, for example, where vast housing expansion is being undertaken, compared to sites that might be 10 or 12 houses in a rural part of the Highlands and Islands. The availability of housing and the ability to put in place specific solutions—I stress that it is not just about the affordable housing programme but applies to other stages of the market—as well as the availability of people, are concerns. That is a challenge in many other parts of the country.

The committee will be familiar with the Government's concerns about the loss of migration as a consequence of the Brexit process. We are undoubtedly seeing greater pressure on our labour market as a consequence of the reduction in the number of people who are available. That emphasises the importance of trying to maximise the potential of the people who are living here and enabling them to be economically active.

As I said, I think that we are seeing the early signs of progress on that. It is a fundamental part of the Government's policy programme to do more in that respect, because that will help us to address the issue of child poverty in our society by enabling parents to enter the labour market. By ensuring that there are good economic and employment opportunities for young people in our economy, we can enable more people to join the labour market.

Maggie Chapman: We are verging on a discussion of the national strategy for economic transformation, so I will hand back to the convener.

The Convener: We are coming to the end of our time on this subject. If questions and answers can be as concise as possible, I will be able to get a few more people in.

Jamie Halcro Johnston: I have a couple of quick questions about tourism and hospitality.

As was said earlier, Scotland's tourism budget has been cut, while the Irish tourism budget for next year has gone up by €30 million. What impact do you think that that has on our ability to compete with a country that has a similar sort of tourism?

John Swinney: For the record, the VisitScotland resource budget has gone from £41.4 million to £41.6 million, so it has increased slightly in cash terms. I put that on the record.

VisitScotland does a fabulous job. It is a really successful agency. It is well led and its marketing propositions are absolutely first class and inspiring. VisitScotland wins a host of global awards and recognition because of its strengths, which helps our competitiveness.

Jamie Halcro Johnston: The question was about what happens when a competitor nation increases its tourism budget while we are providing less.

John Swinney: It does not necessarily follow that spending more money achieves better results. I do not think that follows. What matters is effectiveness, and VisitScotland is a supremely effective organisation.

Jamie Halcro Johnston: Are you not at all concerned that a country that we compete with for

tourism on the global stage is increasing its tourism budget? Do you not think that that has an impact?

John Swinney: I cannot allocate money that I do not have, Mr Halcro Johnston. I can do my level best to fulfil the needs of the budget cycle. I have had to increase tax to enable myself to meet all the commitments that I am taking forward. I have taken some hard decisions to enable us to have the position that we have. I have great confidence in VisitScotland.

It is also really important to recognise the strength of the investment and commitment made by the tourism sector itself. Scotland's tourism proposition is of formidably better quality now because of the investments that have been made by a range of private organisations over many years. The Scottish National Investment Bank has taken some significant steps to assist that. VisitScotland has invested in a major tourism and visitor development that will enable people to develop their surfing skills at Ratho, on the outskirts of Edinburgh. That is not a sentence that I ever thought I would utter, but I have uttered it.

Jamie Halcro Johnston: There is a future media opportunity for you there.

John Swinney: Maybe for us both, Mr Halcro Johnston.

Jamie Halcro Johnston: I do not think anybody wants to see that. I will move quickly to wider issues for tourism and hospitality. Colin Smyth talked about the business rates relief package that is available in England. There was a lot of disappointment from the tourism and hospitality sector that that is not available here. I think that there was around £200 million of Barnett consequential, but you have decided—as is your right—to put that money elsewhere.

You may dispute this, but we are seeing less money for tourism funding and for some of the enterprise bodies but are seeing more regulations for the sector, including the deposit return scheme and short-term licensing.

The Scottish Beer and Pub Association said that the budget

“puts Scotland's pubs at a significant disadvantage in their recovery given the challenges they are facing”

The Scottish Hospitality Group welcomed the freeze on business rates but said that the budget was

“simply nowhere near enough to see the sector through. There is now a clear differential between England, Wales and hospitality businesses in Scotland. It is a fact that many small businesses will not survive.”

The Scottish Tourism Alliance again welcomed the freeze but said that 23 per cent of Scottish tourism businesses are in “survival mode”.

Do you recognise those pressures on the sector and do you think that you are providing enough support?

John Swinney: I absolutely recognise how tough things are out there. I hear that in my constituency caseload and also engage much more widely with the economy, so I, of course, recognise that. I have tried to address the issues that are put to me by a number of organisations. As I said earlier, 16 business organisations asked me to freeze the business rates poundage, and I have done that, but that does not come without a cost. It is estimated to be a saving to taxpayers of about £308 million. About half of all retail hospitality and leisure businesses will be eligible for 100 per cent small business bonus relief, so a very big part of that sector will be relieved of that pressure.

Obviously, we rely on the UK Government to come forward on some of the issues that are forcing the increase in costs for business, and energy costs are probably the biggest factor of change in businesses’ cost base. I hope that the successor scheme that will take effect in March is able to support businesses to the extent that they need. I would point out that, in a tough budget settlement, all of the agencies are actually seeing modest increases in the resources that are available to them.

In short, I feel as if I have done as much as I can within the resources that are available to me to help those sectors out, but I appreciate that they face tough times.

Colin Beattie: Deputy First Minister, I would like to pick up on a couple of the cuts and get your comments on their impact. Cities investment and strategy funding is reduced by 12.5 per cent, and the regeneration programme’s budget by 20.9 per cent. I guess that both of those reflect the changing spend profile of programmes and projects. Can you perhaps say a little bit more about what the impact of those reductions in spending will be?

John Swinney: Essentially, that is us responding to the profile of the range of city deals or growth deals, to use the summary title, because they span a number of years. The shortest was 10 years and the longest has been 20 years, and there has been quite a variation in the financial commitments during those years. As projects come forward, they will place varying demands on the public purse.

Some of those projects will also be wrestling with some of the issues that we are facing in our wider capital budget, which are around cost

because of the increase in input prices. That might create some challenges for project timescales because, if costs are rising because of rising input prices, there might be an argument for developing a proposed project at a later stage.

I assure the committee that the commitment to such schemes remains in place. We support their delivery in concert with a range of local authorities around the country to reflect the varying timescales that have been put to us.

The Convener: International trade and investment spending has seen an increase of 11.2 per cent. The Government’s target is to increase international exports by 25 per cent towards the end of the decade. The document that directs all that was published in 2019 and within priority 1 markets was the European Union. Obviously, that relationship has changed, so can the cabinet secretary give us an update on what it is hoped the increased spend will achieve and whether we will see a refreshment of that target in the export strategy?

John Swinney: The increase in expenditure is designed to support the increased international activity of the Scottish economy, and to ensure that we are able to assist companies with that activity. Obviously, that has become more challenging because of Brexit, which highlights the importance of us supporting activity that will enable companies to trade internationally. We will periodically review the focus and emphasis of that strategy.

It is very much like the agenda that Ivan McKee takes forward on the Government’s behalf. We have no immediate plans to revise that strategy, but we keep it under review, and if there are any updates, we can certainly share those with the committee.

The Convener: Thank you. I have a final question on consolidated accounts, which the Public Audit Committee is looking at at the moment. The 2021-22 accounts show an underspend of £536 million in the finance and economy budget. I suppose that we will know the consolidated accounts for the year that we are currently in in December, but there have been a number of areas—I mentioned employability and Ms Hyslop mentioned VisitScotland—where we believe that, if it was available, small amounts of money could make quite a big difference. Is there any expectation that there will be flexibility in the coming budget as we move into the 2023-24 period?

John Swinney: You alight on my greatest worry just now, convener. As I said earlier, and as I shared with the Finance and Public Administration Committee last week, my current estimate of the overspend on resource budgets lies in a range

between £200 million and £500 million, and the variability there is about my assessment of the likely financial performance of a lot of organisations and whether they can come in on budget. My current focus is on trying to reduce that number. We go through these arguments often in Parliament, particularly with the provisional outturn statement that Tom Arthur delivers and the publication of the consolidated accounts, and some of the underspends do not translate into resources that the Government can actually spend. For example, last year there was a large underspend in student loan funding but we cannot spend that on other priorities because it is ring-fenced annual managed expenditure.

My priority is to balance the budget between now and the end of March. I am here in a temporary capacity but, in my nine years as finance minister, there is no way that I was dealing with the likely overspend of this magnitude in the middle of January in any financial year; it would be well settled by this time. I am therefore acutely anxious about that position.

Obviously, if we are able to constrain spending between now and the end of the year, or if something comes our way from the supplementary estimates of the UK Government, which we do not yet have sight of but expect to see within the next four to six weeks, the position might change and there might be some resources to carry forward. However, this is the first year that the Government has set a budget without anticipating carrying forward any resources from this year into next year.

The Convener: Thank you. That brings us to the end of this evidence session. I briefly suspend the meeting.

11:03

Meeting suspended.

11:07

On resuming—

National Strategy for Economic Transformation

The Convener: Our next item of business is an evidence session on Scotland's national strategy for economic transformation. We previously took evidence from the Cabinet Secretary for Finance and the Economy in March 2022, when the "Delivering Economic Prosperity" report was published. In October 2022, the Scottish Government published the delivery plans.

I ask members and witnesses to be as concise as possible. A number of issues have previously been discussed in the budget sessions, so targeted questions would be helpful.

This is our first session since the delivery plans were published. The strategy is a long-term one, so this is an opportunity for the committee to start to set out ways in which we will look to scrutinise its development.

It is fair to say that there were mixed reports when the strategy was published in March. Tom Hunter said that it was "a wish list", and Roz Foyer made some critical comments about missed opportunities. I hope that the publication of the delivery plans will have provided people with more engagement and given them some confidence in the way forward.

However, I have some questions. How is the strategy different from previous strategies? Since the Parliament was created, we have had a number of economic strategies. Nevertheless, productivity in Scotland is still lower than it is among our European counterparts, and economic growth is not as high as we would like it to be. What is different about this 10-year strategy that will lead to a step change in Scotland's economy?

John Swinney: What the national strategy is designed to do, and its objective, is consistent with previous ventures: it seeks to give a clear distillation of the Government's agenda. We are looking to a variety of organisations that contribute to the economic direction of Scotland to ensure that we can realise those ambitions.

The strategy focuses on a range of major themes, including entrepreneurship, market opportunities, the regional dimension of economic policy, skills, the creation of a fairer and more equal society, and—crucially—the concept of delivery and ensuring that we turn our aspirations into practical reality.

The key focus of the strategy that is perhaps different is that it comes at a moment when our economy has to make a substantial change in its

profile and focus on moving towards net zero. In a sense, looking back on the strategies over the past 10 or 20 years, we see that there was not the same imperative to change the focus of the economy. The current document and the delivery plans assist in giving a clear idea of how the Government intends to do that, and how we intend to engage organisations in that endeavour.

Graham Simpson: Last week, we had the chief entrepreneurial adviser to the Scottish Government, Mark Logan, in front of us. I raised the issue of his rather large salary—£200,000 a year for working two days a week—and he mounted what I would describe as the L'Oréal defence: “Because I'm worth it.”

How would you assess whether or not he is worth it? What sort of progress are you looking for from Mr Logan? How will his role be measured and assessed?

John Swinney: First, I would say that I think that we are very lucky to have the skills and capability of Mark Logan available to the Government. He is a formidable private sector player who has delivered significant economic opportunities and gains as a consequence of his judgments and decision making, and—to be honest—we are very lucky to have those skills and attributes at our disposal.

In addition, the nature of Mark Logan's expertise, both at the technology level and in his way of operating, involves skills that will be particularly relevant for the transition that the Scottish economy has to make in the future. Mark Logan has colossal technology expertise, but he has also delivered very successful projects and propositions. The challenge of adapting to net zero that our economy faces, which I just outlined in my response to the convener, involves a significant amount of transition in the economy, so having Mark Logan's skills to help us in that endeavour is important.

We need to see the fruits of that activity, and we will do that through monitoring the performance of the Scottish economy and the measures that we take forward to ensure that we realise the ambitions that are set out in the national strategy.

Graham Simpson: With respect, that does not quite answer the question. What is it specifically that you are looking for from the role? Has Mr Logan been set any targets, for example?

John Swinney: We want to benefit from the expertise that Mark Logan can bring to help us in meeting the challenges that I have just set out: first, with regard to ensuring that we realise the technology capabilities and opportunities that are available to us, and secondly, in assisting us by advising on how we make the transition to net zero through the encouragement and enhancement of

greater entrepreneurial activity within the Scottish economy.

Graham Simpson: Let me put it this way: if this committee is looking at that particular role, what kinds of things should we be looking to Mr Logan to deliver?

11:15

John Swinney: You should be looking to Mr Logan to deliver progress on the shift to greater technology opportunities and to contribute towards encouragement and expansion of entrepreneurial activity within the Scottish economy. Some of that is relevant to the points that we discussed earlier with regard to the Ana Stewart review and in response to other questions.

Graham Simpson: Aside from the £200,000 that I mentioned, which is paid to a company, has Mr Logan been given any other resources to fulfil the role?

John Swinney: He has some limited staff support to assist him in the work and arrange his practical interaction and engagement within Government and with the tech and entrepreneurial communities in Scotland.

Graham Simpson: I have one final question. Last week, I asked Mr Logan about his involvement with the company that I just mentioned, TravelNest. He is still listed as a director of that company, although he told us that he had pulled back.

Maybe he has pulled back, but it struck me that, not just for him but for anyone in a similar role with Government, whether they are paid or not, we should have clarity on their business interests, either as directors or regarding whether they hold shares in particular companies. Would you agree with that?

John Swinney: I very much agree with that. I saw the comments that Mark Logan put on record about his involvement in the company, so I assume that to be correct. There should be transparency on these points. The directors of any public bodies such as Scottish Enterprise, Highlands and Islands Enterprise and South of Scotland Enterprise will have publicly declarable registers of interest. That should all be done transparently.

However, to make a slightly different point, I do not view it as inappropriate for people in those roles to be involved in wider activity, because if they were not, they would not bring as much experience and expertise to the work. It is almost a catch-22 situation. The way to manage that is to have transparent declarations of such things.

Graham Simpson: That is something that would have to be set up, I think.

John Swinney: I will take that point away. I accept the point that Mr Simpson is making, and I think that there should be transparency over these questions. If there are any issues that need to be addressed there, I will address them.

The Convener: A chief business adviser role has been created, and an appointment has been made, in the past week. How does that role work together with the chief entrepreneurial adviser?

John Swinney: Ellis Watson is providing specific advice to the First Minister to enable the Government's engagement with the business community. It is a slightly different type of role from the one that Mark Logan is undertaking; it is essentially about ensuring that the Government is able to hear and engage with the wider business community, communicating directly with the First Minister by using the skills of Ellis Watson.

The Convener: It is also the role of ministers to do that with the First Minister.

John Swinney: And we do it.

Fiona Hyslop: We had an inspiring and refreshing session with the chief entrepreneurial adviser last week; he is very formidable indeed. To what extent will his remit allow him to engage with other Government departments and with public bodies?

He raised the specific issue of intellectual property ownership in universities and how that might preclude the development of entrepreneurship. For example, the Scottish Funding Council might want to reward and stimulate start-ups from universities, and there might be a bit of a conflict in that regard. What range and role does the chief entrepreneur have with public bodies and Government departments?

John Swinney: There are two distinct questions in the points that Fiona Hyslop raises. First, on the range of the chief entrepreneur, I want to ensure that he has the widest possible scope within Government to try to help us improve the technological transformation of Government and ensure that our ways of working are as efficient as they possibly can be. I talk to Mark Logan regularly and benefit from his thinking. I am doing a lot of work on public sector reform, which will be essential in the realisation of the budget, so there will be ever more involvement. I want to see that happen within the broadest possible range.

On the second question, on intellectual property, I think that our universities are slightly more relaxed about such questions than they used to be. That does not mean to say that the position is perfect. Obviously intellectual property is a formidable asset in some circumstances, and

some start-ups that have emerged from universities have generated enormous economic benefit because they have involved such good developments.

Mark Logan's work is partly about trying to encourage more of that, and more university research and business dialogue. We might look at universities now, and some of the arrangements that they have in place. Just a few weeks ago, I was visiting the Mazumdar-Shaw advanced research centre at the University of Glasgow. The centre is a fabulous investment, resulting from a significant financial donation by Kiran Mazumdar-Shaw and her late husband John Shaw. In partnership with the University of Glasgow, it is developing an exciting research collaborative environment. Other universities will have such facilities—for example, the University of Edinburgh has the Bayes centre, which is modelled on a similar concept.

Those meeting points—if I can call them that—are a great forum for the development of research propositions. I think that we can be optimistic that those propositions will generate significant and productive benefits for the Scottish economy.

Fiona Hyslop: Universities are independent institutions, of course, but I suppose that it depends on what the Scottish Funding Council, as funders, might do. Are we open to thinking about things where we come across them? That is a challenge that we have repeatedly had.

John Swinney: There is also a question here—I appeal to our universities' sense of community in this regard—about the role of universities in recognising that some of that intellectual property might have a wider societal benefit, and a wider commercial benefit for the Scottish economy. I encourage our universities to be open to that proposition.

There is obviously, as Ms Hyslop correctly said, interaction with the Scottish Funding Council and the allocation of research resources. The more we work collaboratively on this endeavour, the more we will be able to see the benefits of all of that, and Mark Logan is in place to assist us in doing that to the greatest extent possible.

Fiona Hyslop: I move on to the climate emergency skills action plan. You have been generous with your time, so short answers will suffice. Is the refreshed plan on course to be published in 2023, as per the NSET delivery plans? How will the refresh interact with the ongoing review of Scotland's skills landscape, which is being led by James Withers?

John Swinney: The climate skills action plan will be published as scheduled. If there are any issues or implications that emerge from the James Withers review, we will take those into account in

the aftermath of the action plan's publication. I recognise the necessity of our proceeding with the publication of that document.

Colin Smyth: It is widely recognised that the increase in renewables, particularly in onshore wind power, has cut emissions but has not delivered the huge potential economic benefits that were envisaged, especially for jobs. The Scottish Trades Union Congress made that point in its response to the publication of the strategy.

When you were Cabinet Secretary for Finance and Sustainable Growth, we were promised that there would be 130,000 jobs in renewables per year by 2020. The Government does not record the numbers of such jobs, but a recent report by the Fraser of Allander Institute estimated that the actual number is only 27,000 per year. Does the Government currently have a target for jobs in renewables, which the strategy might help to deliver?

John Swinney: We do not have a target in that respect, but the focus of our agenda is to maximise the economic opportunities for Scotland from the renewables revolution that is going to take place. Significant opportunities will arise from the ScotWind process and we hope that others will come out of carbon capture and hydrogen, all of which will enable us to realise significant economic opportunities that will link directly to the work that we must do on the just transition to recognise the need for that, particularly in the oil and gas sector in the north-east of Scotland.

Colin Smyth: How do we measure that? At the moment, most of the onshore wind turbines that we see carpeted across our landscape are not built here in Scotland. How can we assess whether we are reaching that potential? The number of jobs in renewables will increase because of the work that is taking place, but how do we assess whether that is delivering the scale of the potential that is clearly out there?

John Swinney: We will see it from the significant amount of data that is available on the labour market, quite a lot of which I have gone through this morning. We will see, at a sectoral level, the numbers of jobs and the gross value added that will come from particular employment. That will clearly flow into the productive capacity of the Scottish economy. Data sets are available that will enable us to see all that information and to make a judgment about how much has been realised in Scotland. It will also be clear from the implications for supply chains the extent to which we are seeing such projects turning into economic reality on the ground.

Michelle Thomson: I am going to ask some more questions about women entrepreneurs. When NSET was published, we saw the

introduction of a number of worthwhile initiatives. Given the thrust of that approach, who would not buy into it? However, I want to explore in a bit more detail how you will ensure that, as we move into specific projects, female entrepreneurs will be at the heart of the strategy, so that when you develop your key performance indicators or whichever success measures you will have, they will be specific.

For example, in the context of the development to begin under project 1, the delivery plans state that there will be commitments to

"Increase the number of talented early stage company founders"

and

"Increase the number and diversity of entrepreneurs".

I am not asking you to answer this question now, but I would want to know the levels to and from which you expect female entrepreneurs in early-stage start-ups to move. Will you be able to state that, and do you plan to do so as you put in the detailed development?

Secondly, are you able to commit to making the targets bold, audacious, ambitious and, frankly, frightening in terms of moving the dial for female entrepreneurs and their contributions?

John Swinney: My answer to the last part of Michelle Thomson's question is yes. We should have bold ambitions here. We are not realising the potential of the Scottish economy and Scottish society because we have such a difference in the levels of participation in entrepreneurship between women and men. We have to confront that issue. That is why we commissioned Ana Stewart to undertake an independent review of that question. From that will flow the specific interventions that we will have to undertake to address the ambitions that Michelle Thomson puts to me. I want to ensure that the steps that we take in response to Ana Stewart's review are commensurate with realising those ambitions.

11:30

Michelle Thomson: That is good to hear. You can be fully confident that I will be asking how, specifically, those steps are bold, audacious and ambitious.

John Swinney: I am sure that you will. I recognise the significance of the question and ministers should come back to the committee to explain in greater detail where we are heading as a consequence of that activity.

Michelle Thomson: Going back to my earlier point about data, I note that, as individual projects are planned, I will want to see specific data on the percentage or numerical increase in female

entrepreneurs in each category. There are various projects. I will be asking to see that data so that I can make my own assessment of how bold and ambitious we are.

John Swinney: We should be able to disaggregate the data to enable all that analysis to be undertaken.

Michelle Thomson: Thank you.

Jamie Halcro Johnston: I have a couple of short questions. We want to attract people to set up businesses in Scotland and we want to attract entrepreneurship. What analysis or advice have you had concerning the potential impact of the fact that an individual who sets up a business in Scotland is likely to pay a higher rate of income tax than they would pay in other parts of the United Kingdom?

John Swinney: That issue is considered by the Scottish Fiscal Commission when it looks at the tax propositions that we put forward. From that, we can deduce the impact that our measures will have on behaviour. That advice is available from the Fiscal Commission. It informs the expectations of revenue to be raised that are included in the budget proposition.

There will be a wide variety of considerations for any individual who is choosing a location in which to live and work, and they will be based on a variety of factors. As I set out to Parliament, the social contract that is available to people in Scotland offers a very different proposition, regardless of income. Many different questions about the quality of life and quality of location will be relevant to the decisions that people make.

Jamie Halcro Johnston: Have you taken any advice, or has there been any input, from the chief entrepreneur on that subject?

John Swinney: I have not discussed that issue with the chief entrepreneur, but I am very happy to do so.

Jamie Halcro Johnston: I have a final question. When did the NSET delivery board, which was established in May 2020, last meet?

John Swinney: I cannot quite think what the date was, but it would have been in the autumn.

Aidan Grisewood (Scottish Government): It was in December.

Jamie Halcro Johnston: When will the minutes of that meeting be available, or are they available already? There does not seem to be anything about them on the Scottish Government website.

Aidan Grisewood: The minutes are published on the website. The next meeting will be before the end of this month.

Jamie Halcro Johnston: Will the minutes be available before the next meeting takes place?

Aidan Grisewood: Yes. There is a web page for the delivery board.

Jamie Halcro Johnston: I could not see anything about the minutes on there.

Aidan Grisewood: I will check that.

Jamie Halcro Johnston: Thank you.

Gordon MacDonald: I want to ask about support for business start-ups, and particularly the new network of Techscaler hubs that has been set up via CodeBase. I realise that the announcement was made only in July, with the launch being in November, but what will be the measure of success for those hubs? How will we know whether that venture has been successful?

John Swinney: There will—in response to Michelle Thomson's questions, I suspect—be data sets that emerge about the number of ventures that have been supported, the progress that has been made on employment levels and gross value added, the impact of technology ventures that have emerged and the journey that ventures take.

The Techscaler programme's aspiration is not only to encourage early-start development, but to build on that to ensure that companies can make the journey from start-ups to scale-ups. The data will enable us to explore the venture's effectiveness and success. Given the formidable track record of CodeBase here in the city of Edinburgh, I am confident that it has the attributes to enable us to realise our aspirations from the programme.

Gordon MacDonald: The seven Techscalers are mostly in cities, although there is none in Perth or our new city of Dunfermline. If they prove to be the success that we hope for, will they be rolled out in other areas, including rural Scotland?

John Swinney: I remain open to such questions. The design of the model, with its significant dependence on technology capabilities, means that location should not be in any way a barrier to people benefiting from the resources of the Techscalers.

An important question arises about the ability of other bodies and institutions to support the direction of travel. Our universities and colleges, which have an extensive network of premises throughout the country, should be able to play a part in working with the Techscalers and ensuring that their attributes can be used more broadly around the country.

Gordon MacDonald: Can the model of hubs be used in non-tech sectors?

John Swinney: Yes—without a doubt. However, the Techscaler programme recognises the specific opportunity for and necessity of making progress on tech activity, to realise the benefits for the Scottish economy.

Maggie Chapman: I am interested in exploring a couple of issues. You have spoken before about what the economy is for. In various documents, you have said clearly that the economy is there to serve people and planet effectively, now and into the future.

The wellbeing economy is at the heart of the strategy. One challenge is that the economic strategy links into many elements of governmental work. I am interested in knowing how we could improve alignment across all the different strategies. What are the challenges for policy coherence? We could argue that things that we do in one area might run counter to or jeopardise ambitions in other areas of governmental work.

John Swinney: I hope that that is not the case, because Government policy should be aligned. As Deputy First Minister, I am responsible for delivery of the Government's programme, so a lot of my time is spent on ensuring that we have policy alignment, that we have no incompatibilities in our policy programme and that we work to ensure that a cohesive thread runs through all of Government policy. I recognise that that is important in the delivery of the Government's work.

I would argue that the thread that runs through the national strategy for economic transformation, the programme for government in September, the budget in December, the wider direction of Government policy and the child poverty delivery plan that was published last year shows that there is policy alignment. It is also reflected in the energy strategy that Michael Matheson published last week.

The question of alignment is critical. If there are areas around it that concern members, I will listen carefully to them to ensure that we keep that thread running through all policy.

Maggie Chapman: I want to go a bit further on that before I move on. You talked earlier about house building, and there will obviously be negative impacts from construction, be they environmental impacts or others, although they can be mitigated and balanced out with other mechanisms. I suppose that it is your assertion that we have the right balancing mechanisms and that they are effective. However, what on-going monitoring is being done to make sure that those issues are covered so that we can ensure not only that there is policy coherence, but that we have the correct assessment of that coherence?

John Swinney: In setting out the budget, I concentrated on three themes: the elimination of

child poverty, sustainable public services and the economic transition to net zero. That gives the best distillation of the policy framework in which we are operating, where there is an absolute necessity to make the journey to achieving net zero.

We assess our performance regularly, and we have been on the receiving end of a particularly challenging recent assessment from the Climate Change Committee about the effectiveness of our current arrangements. The plans that the Government is making are designed to advance that agenda to the greatest possible extent.

I acknowledge and accept the challenge that Maggie Chapman puts to me, but it is best reflected in how we take forward the wider policy agenda to which I have referred.

Maggie Chapman: My final question is about community wellbeing and social enterprises. Alternative economic models are crucial to the resilient, sustainable and prosperous economy that you have spoken about. What are you doing to explore giving social enterprises an enhanced role in our economy, given the local and regional benefits that they might have over and above other enterprise models?

John Swinney: The first thing that I want to say is that I very much associate myself with the aspiration that Maggie Chapman puts to me in relation to the importance of encouraging a vibrant social enterprise sector. It represents a significant opportunity to contribute to the Scottish economy and create meaningful opportunities.

Scotland has a long track record of social enterprise activity. The global co-operative movement was founded in Scotland, and I had the privilege, as did Fiona Hyslop, of working for mutual life assurance societies that deployed the formidable mutual principles of common ownership within our society. Frankly, I wish that we had more mutual societies just now—we would be better served by them. Social enterprises are the 21st century equivalent of mutual societies. That track record is important.

We need to be mindful of three things. The first is the community wealth building agenda, which Tom Arthur is in charge of. North Ayrshire Council has undertaken some outstanding work in that regard, and we are now trying to apply that more widely.

11:45

Secondly, there is procurement. The public sector procures a significant amount from the business sector in Scotland. Procuring a lot of our social care from social enterprises would be a good step forward. I appreciate that companies

are not always able to participate in the procurement system. Some of the gateways and access points to procurement can be an impediment to social enterprises, so we are trying to tackle those.

The third thing is that our business development network must support the development of social enterprises, because they are businesses. They are not a charitable sector away in the corner; they are businesses. To their credit, our business organisations—South of Scotland Enterprise, Highlands and Islands Enterprise and Scottish Enterprise—provide business advice to social enterprises, which I very much welcome.

Maggie Chapman: I am sure that you are not suggesting that charitable enterprises should be “away in the corner”. I think that many of them would argue with that.

John Swinney: Perhaps my turn of phrase was not well chosen. My point is that social enterprises should be on the radar of our enterprise agencies and should not be thought of as being someone else’s responsibility.

Maggie Chapman: Thank you.

John Swinney: I am grateful for the opportunity to set out my thinking more clearly.

The Convener: Colin Beattie has some questions.

Colin Beattie: In the light of the pressures on public sector pay and the on-going threat of industrial action, how do you assess the success, so far, of prioritising wage increases over spending on employability services?

John Swinney: I think that the experience speaks for itself. Industrial action is enormously disruptive to the operation of our economy and society, so minimising industrial action by resolving industrial disputes is a very high priority for me. We regret the fact that we have had some industrial relations difficulties and that some disputes have led to strike action. We try to minimise that. We are going to extraordinary lengths to be available and accessible to trade unions in order to resolve issues. The Cabinet Secretary for Health and Social Care and I will engage on such matters again in the course of this week.

The difficulties created by the lack of expansion of employability programmes are, for me, not as great as the disruption that could have come from industrial action, had we not resolved the issues that we have resolved.

Colin Beattie: I will move to a slightly different subject. The Scottish Government has indicated that progress towards a wellbeing economy is a core principle that guides the NSET and other

Government strategies. How aligned are those strategies? Can you identify areas of improvement that might need to be addressed in the future?

John Swinney: We aim to secure alignment through the relationship that all our strategies have with realisation of the ambitions in the national performance framework. That framework, which has been the subject of extensive consultation and dialogue with Parliament and stakeholders, is designed to provide a sense of direction and a set of objectives for us to reach and to realise in all of our activity. To return to the answers that I gave to Maggie Chapman, I would like to think that we are aligned to support those objectives.

We must be open to being challenged on that. I spend a lot of my time trying to ensure that we have alignment, but if colleagues believe that we have not got that right, the Government should be open to responding to that.

A classic example relates to some of the dilemmas that we have had to wrestle with in relation to the energy strategy, the use of resources and the generation of economic opportunities. We have tried to reconcile those to the best of our ability in the energy policy framework. That is a good example of how we have tried to do what you describe.

Colin Beattie: An obvious question to ask is how we evidence that there is alignment. How do we know? We might have it in policy and in all the documents and so on, but how do we evidence that it has been achieved?

John Swinney: We will see it in the data that informs the material in the national performance framework. Provided that the framework is delivering the right strategic perspective across the whole economy and the whole of society, and that we have that correct—again, I stress that it is being consulted on by the Government and that Parliament has been extensively engaged in that endeavour—we should see that in the data that emerges during the process.

Colin Beattie: Do you know of any areas in which more work has to be done?

John Swinney: I highlight one of the big lessons that I have learned during my time in the Government, which relates to what happens if we do not look comprehensively at what every area can contribute to a policy objective. A good example is the child poverty delivery plan. To put it simply, we might think, for example, that we can tackle child poverty by increasing benefit payments. If we took that view, we would not have a particularly effective anti-child poverty strategy, because we would miss out on a range of other interventions that the Government and various organisations could make to support that objective.

When we formulated the child poverty delivery plan, we actively challenged different Government departments about how they were working, how they were interacting with people who were living in poverty and what further support they could put in place to assist those people and enable us to achieve the wider objectives. To me, that represents some of the challenges that exist.

Off the top of my head, I cannot think of an area in which we need to do more in that respect, but if there are issues on the minds of committee members, I would be happy to listen to those.

The Convener: I have a couple of quick questions—one is perhaps more expansive than the other. The first is on programme 4, which is entitled “Skilled workforce”. In recent years, there have been a number of reports, including the enterprise and skills review, which is supposed to be implemented, and the Audit Scotland report, which was critical of relationships between the Scottish Funding Council and others.

James Withers is now undertaking a review of skills, which is the one issue that those on all our industrial business panels talk about. They say that they do not have the right skills or the right people in the right places. When will people stop telling the committee that? It consistently comes up as one of the key issues for all sectors, from tourism to renewables; those in every sector talk about their frustration at the skills landscape.

John Swinney: I have wrestled with those questions for quite some time in my various areas of responsibility, and I think that the key thing that can help us to resolve them is having quality dialogue between businesses and those who are responsible for the development of skills.

Earlier, I cited an example from Ayrshire of exactly what should happen. A business wants to get off the ground and develop an opportunity. It wants to have skilled personnel but cannot find them, so it goes to a college. The college says, “This is what we’ll do”, and it gets it all under way. That is how we make progress.

In addition, there can be a lot of work and elaboration on the formulation of skills action plans and skills audits. Skills Development Scotland has led a really good piece of work, in different localities, that looks at skills development plans. Such issues are invariably resolved in localities—they have to be, because the level of geographic mobility in the country is relatively limited. We need to ensure that the quality of dialogue between businesses and providers is at the highest level possible.

The Convener: The committee’s role is to scrutinise the delivery plans and the 10-year strategy. The NSET programme entitled “A New Culture of Delivery” says that an annual progress

report will be published. Are you able to say when the first one is due?

John Swinney: I expect the first report to be published during this calendar year. The strategy was set out in May 2022, if my memory serves me right—

The Convener: It was in March, and the delivery plans were published in August, I think.

John Swinney: The delivery plans were published in October.

We will make a judgment about the report’s publication, but it will be during this calendar year.

The other thing—

The Convener: I would hope that it would be during this calendar year, as it is an annual report. When you are in a position to give the committee a clear idea of at least which season we are looking at—whether it is summer or autumn—it would be helpful if you could tell us.

John Swinney: Yes.

I have been struck—without wishing to single out Michelle Thomson—by some of the questions that have been put to me on particular areas of interest. If the committee has aspirations for the information that it would like to see or any detail that it would like to have available to it, I will willingly consider how we can most positively respond to that.

The Convener: Thank you.

Jamie Halcro Johnston has a question. Is it on a point of clarification?

Jamie Halcro Johnston: Yes—it relates to my earlier question about the NSET delivery board. I checked the Scottish Government website, because I am always conscious that these things could be my issue rather than anyone else’s, but I could not see any minutes on it or a date for the next meeting. Can we make sure that that is updated?

I also have a question about the investor panel, which I think was meant to meet on 12 December. Did that meeting take place? If so, when will minutes be available for it? When will the panel next meet?

John Swinney: Since I took over interim responsibilities, the NSET board has met on at least two occasions, if my memory serves me right. I know that another meeting is coming up, because I have preparatory discussions for it tomorrow. Mr Halcro Johnston is absolutely correct that minutes should be published. If they are not up there, I apologise for that, and we will rectify the situation as soon as we can.

The investor panel met in December. I am not sure when the next meeting is. Richard Rollinson might be able to help with that.

Richard Rollison (Scottish Government): There will be a couple more meetings of the panel between now and this summer, after which it will make recommendations to the First Minister.

Jamie Halcro Johnston: When will the minutes for the December meeting be available?

Richard Rollison: I will double-check and make sure that they are put up as soon as possible.

Jamie Halcro Johnston: Thank you.

The Convener: That brings us to the end of the evidence session. I thank the Deputy First Minister and his officials for joining us and for the evidence that we have heard.

11:57

Meeting continued in private until 12:08.

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Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

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