Economy, Energy and Tourism Committee

Report on the Draft Budget 2015-16

The Committee reports to the Finance Committee as follows—

INTRODUCTION

Approach to the Draft Budget

1. The Economy, Energy and Tourism Committee (“the Committee”) considers all spending that falls within its remit, but a particular focus of its scrutiny of the Draft Budget 2015-16 is the “increase exports” national indicator in the National Performance Framework (“NPF”).

2. A call for written evidence\(^1\) was issued on 3 June 2014 and 27 submissions\(^2\) were received.

3. The questions asked in the call for written evidence were—

   - Has sufficient funding by the Scottish Government, Scottish Enterprise and Highlands and Islands Enterprise been made available since 2012-13 to support the “increase exports” NPF indicator?

   - What are your views on the extent to which Scottish Government policy and spend can lead to increasing exports?

   - What are your views on the type of public support being provided through the Draft Budget to increase exports? Is it being targeted in the right areas?

   - What alternative spend would you propose within the Draft Budget 2015-16 and from what area should such resources be diverted?

4. The Committee held four evidence sessions during October/November 2014 with six panels and 15 witnesses. One of its meetings took place in Perth and included input from three workshops made up of representatives from the local

---

\(^1\) [http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/77787.aspx](http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/77787.aspx)

business community. These included small and medium sized enterprises (“SMEs”) and larger businesses from a range of sectors.

Structure

5. The report is structured under three broad headings plus a concise round-up of other issues—

- exports/enterprise
- fuel poverty/renewable energy
- tourism
- other Issues

Background

6. Last year’s scrutiny of the Draft Budget was thorough in detail and wide ranging in theme. The Committee decided this year’s budget consideration should focus on one topic in particular – the Scottish Government’s aim to increase exports and the wider context of “internationalisation” – as well as covering budget plans in the areas of fuel poverty, renewable energy and tourism. As part of the exports focus the Committee has identified all relevant programmes within the Scottish Government’s remit that aim to support exports. These are set out in Annex C with associated budget figures included and expected outcomes detailed. The success of these programmes will be explored throughout the Committee’s forthcoming inquiry into internationalising Scottish business.

Scottish Enterprise and Highlands and Islands Enterprise budgets

Table 1 – SE income Analysis

<table>
<thead>
<tr>
<th>INCOME ANALYSIS</th>
<th>Published Plan 2014/15</th>
<th>Draft Budget 2015/16</th>
<th>Change</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant in Aid (baseline)</td>
<td>220.1</td>
<td>229.1</td>
<td>9.0</td>
<td>-4%</td>
</tr>
<tr>
<td>Anticipated reduction to baseline budget</td>
<td>-17.3</td>
<td>-17.3</td>
<td>0.0</td>
<td>0%</td>
</tr>
<tr>
<td>Anticipated in-year transfers from Scottish Government (net)</td>
<td>51.7</td>
<td>20.5</td>
<td>-31.2</td>
<td>-60%</td>
</tr>
<tr>
<td><strong>Total anticipated Grant in Aid</strong></td>
<td>254.5</td>
<td>232.3</td>
<td>-22.2</td>
<td>-9%</td>
</tr>
<tr>
<td>EU Funds</td>
<td>6.3</td>
<td>17.6</td>
<td>11.3</td>
<td>179%</td>
</tr>
<tr>
<td>Property Disposals</td>
<td>23.0</td>
<td>18.8</td>
<td>-4.2</td>
<td>-18%</td>
</tr>
<tr>
<td>Property Income</td>
<td>6.8</td>
<td>5.8</td>
<td>-1.0</td>
<td>-15%</td>
</tr>
<tr>
<td>Scottish Co-investment Fund</td>
<td>8.8</td>
<td>3.0</td>
<td>-5.8</td>
<td>-66%</td>
</tr>
<tr>
<td>Scottish Loan Fund</td>
<td>8.0</td>
<td>12.0</td>
<td>4.0</td>
<td>50%</td>
</tr>
<tr>
<td>Other Business Income</td>
<td>22.9</td>
<td>20.2</td>
<td>-2.7</td>
<td>-12%</td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td>330.3</td>
<td>309.7</td>
<td>-20.6</td>
<td>-6%</td>
</tr>
</tbody>
</table>
Introduction
7. Table 1 shows that Scottish Enterprise’s (“SE”) initial Grant in Aid (“GIA”) will increase by £9 million, or 4%, between 2014/15 and 2015/16. Although the Draft Budget shows a ‘GIA baseline’ of £229.1 million, in reality this will be reduced by £17.3 million, when accounting for SE’s contribution to the Government’s £40 million Strategic Forum Savings. Therefore, SE’s initial Grant in Aid after Strategic Forum savings will be £211.8 million.

8. There is a 60% reduction, of £31.2 million, in the ‘anticipated in-year transfers’ budget line. This reduction primarily relates to decreased funding for the following renewables programmes—

- Renewable Energy Investment Fund (“REIF”) funding will be reduced by £19.5 million. REIF is delivered by SE on behalf of the Scottish Government. So far REIF has invested £19 million since 2012 (the SG originally announced the fund would invest £103 million over three years).

- A reduction of £8 million in the POWERS and SIFT programmes. POWERS (Prototyping for Offshore Wind Energy Renewables Scotland) is a fund aimed at offshore wind turbine manufacturers and SIFT (Scottish Innovative Foundation Technologies) is an offshore wind R&D support fund.

Other income sources
9. The table also shows other sources of funding such as EU funds and income from property. SE explains that EU income is to more than double in 2015-16 as “this will be the first full year of income expected from the new 2014-2020 EU programme”. It is expected that the EU will provide Scottish Enterprise with £17.6 million in 2015-16.

10. Property disposals are expected to bring in £23 million in 2014-15. According to SE, receipts totalling £16.3 million have been secured so far in the six months to the end of September 2014. A further £8.6 million of potential sales are being pursued this financial year, possibly exceeding the total target by around £2 million. It is expected that property disposal receipts for 2015-16 will amount to £18.8 million.

HIE income analysis
11. The Highlands and Islands Enterprise (“HIE”) GIA income will be £59 million in 2015-16, as shown in table 2, a slight (0.7%) cash increase over the year. Level 4 budget figures from the Scottish Government show that the capital element of HIE’s GIA will increase by 15% while the resource budget reduces by 10% over the year.

12. HIE also expects a substantial increase in EU Income over the year, presumably for the same reasons as SE. Capital receipts, comprising mainly

---

property sales, “remain challenging” for HIE and “the target for 2015-16 will require to be reviewed ahead of finalising the actual budget in April 2015”.

Table 2: HIE income analysis

<table>
<thead>
<tr>
<th></th>
<th>2014/15 current forecast (£m)</th>
<th>2015/16 Op plan budget (£m)</th>
<th>Change (£m)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant in Aid - Baseline</td>
<td>58.6</td>
<td>59.0</td>
<td>0.4</td>
<td>0.7%</td>
</tr>
<tr>
<td>EU Income</td>
<td>4.0</td>
<td>5.0</td>
<td>1.0</td>
<td>25.0%</td>
</tr>
<tr>
<td>Capital Receipts</td>
<td>5.9</td>
<td>5.0</td>
<td>-0.9</td>
<td>-15.3%</td>
</tr>
<tr>
<td>Revenue Receipts</td>
<td>6.5</td>
<td>6.0</td>
<td>-0.5</td>
<td>-7.7%</td>
</tr>
<tr>
<td>Anually Managed Exp (AME)</td>
<td>10.5</td>
<td>10.5</td>
<td>0.0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Ring Fenced DEL</td>
<td>12.7</td>
<td>12.2</td>
<td>-0.5</td>
<td>-3.9%</td>
</tr>
<tr>
<td>TOTAL INCOME</td>
<td>98.2</td>
<td>97.7</td>
<td>-0.5</td>
<td>-0.5%</td>
</tr>
</tbody>
</table>

(Source: HIE submission)

SUPPORTING EXPORTS BUDGETS

Introduction

13. Support for exports is seen by SE as underpinning everything it does; the account-managed system aiming to boost “the ambition and capacity of Scottish companies to operate in international markets.” The logic model included in Annexe C attempts to identify the levels of SE and HIE funding specifically aimed at supporting exports growth.

14. Sixty percent of account-managed growth companies are exporters, with 90% of them selling to Europe, 60% to North America and 50% to Asia. For certain sectors, such as life sciences and technology and also engineering, exports make up more than half their turnover. In terms of geographical spread, Grampian sees 68% of account-managed companies exporting, while Lanarkshire has a more modest 45%.

15. HIE account manages around 500 companies, with 248 being exporters. Of these, 23% lie within the Inner Moray Firth area, and 4% can be found in the Western Isles.

16. The account management system is at the heart of SE’s and HIE’s support to high growth companies. Account management aims to generate additional economic impact through providing tailored advice, training and financial support to eligible companies. The rigidity of eligibility criteria for SE account management was raised by some smaller companies during the Perth sessions. Companies are account managed if they have the potential to achieve £1 million additional sales.


5 SPICe briefing 3 Nov 2014.

6 SPICe briefing 3 Nov 2014.

7 SPICe briefing 3 Nov 2014.
growth over three years or they are identified as important to the economy or in identified priority sectors.\(^8\)

17. For Highlands and Islands businesses to be considered for entry into HIE account management, the following characteristics should be present—

- Turnover exceeding the current VAT threshold (£77,000 as of April 2012) or in the case of a start-up, projected to do so by the end of year one;

- Having a significant market beyond the local market. (“Local” defined as within the Highlands and Islands and “significant” as greater than 50%);

- Having aspirations to grow turnover by £200,000 or, in the case of a start-up, to reach a turnover of £200,000 by the end of year three.

18. In 2013-14 more than 2,700 companies were supported by Scottish Development International (“SDI”) to access overseas markets, a 29% increase from the previous year. Funded mostly by SE, SDI has a planned budget of £35.1 million in 2014-15, its biggest area of expenditure being programme costs. Trade missions and events spending in 2013-14 was £7.6 million and grant funding expenditure came to £6 million. Over the past five years, total SDI spending has gone up 32% in cash terms.\(^9\)

**Feet on the street**

19. When the Committee met in Perth, the feedback from local business about support from SE was “very positive”, likewise the services of SDI – international exhibitions, trade missions and the Smart Exporter training all billed as “excellent”. There was, though, a view that perhaps the level of specialist expertise desired was not always available in SDI’s overseas offices.\(^10\)

20. Scotland Food and Drink’s James Withers also raised the expertise issue—

“A challenge for SDI is that an individual who is based in a Tokyo office might do food and drink on a Monday, life sciences on a Tuesday, advanced engineering on a Wednesday and so on. We have a lot of generalists out there who do a great job, but we need specialists.”\(^11\)

21. Mr Withers told the Committee his industry had learned from the successful food and drink exporting nations – notably Ireland, New Zealand and Denmark – that it paid to put “feet on the street”.\(^12\) On that same theme, a written submission from ResDiary enthused about the benefits of access to local contacts and called for SDI to expand its overseas network.\(^13\)

---


\(^9\) SPICe briefing 3 Nov 2014.

\(^10\) Official Report, Col 2, 3 Nov 2014.


\(^12\) Official Report, Col 28, 8 Oct 2014.

22. There was a sense from the workshops held in Perth that, while accepting SDI could not please everyone all the time, Scotland might not be putting as much resource into promoting exports as its competitors. Several participants spoke of attending international trade shows at which Scotland’s presence amounted to a stand while comparable countries occupied an entire floor.  

Getting through the door

23. Businesses from Perth and Kinross talked positively about their experience of the SE account-managed model but some very strongly suggested it was not always easy to access support in the first place: “people had to kick the door down.”

24. SE’s Neil Francis told the Committee the Smart Exporter programme had supported 4,700 companies, suggesting businesses were able to secure support. However, his colleague Paul Lewis said they would take away with them the challenge of considering whether SE’s “interface” with businesses was working as smoothly as it should.

25. Mr Lewis referred to an evaluation that showed every £1 put in by SE to account-managed companies produced a return of £6. He said—

“... the evidence shows that companies that are more international and which are better at innovation are having more of an impact on the economy. They are growing faster and are adding more to their bottom line.”

The DNA of HIE

26. HIE’s Alex Paterson told the Committee of a recent evaluation of their account-management programme, showing a net turnover of £350 million and support for 4,500 plus jobs. He spoke also of the importance of connectivity for the Highlands and Islands in terms of air, road and digital. The latter meant “being able to internationalise from anywhere” and e-commerce, he said, was being given a “particular focus”.

27. Mr Paterson described the percentage of exporters being account-managed in the region as being “remarkably aligned with the business base in each area”. Provided, he said, a business has the potential to expand and export then “we will work with them wherever they are.”

28. In discussion of marketing and “Made in Scotland” branding, Mr Paterson pointed out that HIE could draw on “Made in Orkney” and the Outer Hebrides brand among others. “Taste of Arran” is another initiative in its remit.
emphasised the particular character and purpose of HIE as “an economic and community development agency”.22

29. He told the Committee—

“It is in the DNA of our organisation that we cover the Highlands and Islands … We are not Inverness-centric.”23

Definition of success
30. The link between innovation and internationalisation was a recurring theme in SE’s evidence (innovation covering research and development, technology, and new services and business models – including collaboration).24 Asked about the basis of a causal link between the two, Mr Lewis said there was a correlation but, as it wasn’t clear which brought about growth, both should be emphasised.25

31. STUC thought that Scotland should learn from the most innovative economies. Stephen Boyd said all the technology underpinning the iPhone and the Google algorithm were originally state funded in the US. He told the Committee—

“We must recognise and not be bashful about the crucial importance of publicly supported R and D.”26

32. The definition of “success” was an issue for Scotland Food and Drink. James Withers said it should not mean publication in an academic journal but “translation of knowledge into business impact”. Mr Withers also spoke of the need for funding of an interface between “universities that have solutions and businesses that have never thought of asking academia for a solution.”27

33. Mr Withers suggested there was about £1 billion worth of growth in the UK market and £1.4 billion internationally, describing the export agenda as “a transformational opportunity” for the food and drink industry.28 Mr Withers told the Committee of a new export plan and a partnership agreement in which industry money would be matched by SDI. This had been agreed in principle but was awaiting ministerial support. He hoped this investment in capability would continue.29

Untapped potential of SMEs
34. Scottish Chambers of Commerce talked of the “untapped potential” of those SMEs that lacked the confidence or know-how to make the first step to becoming an exporter. Business-to-business support was cited by Garry Clark as the best way to lend support and learn by example.30 He cited the Chambers’ Business Mentoring Scotland scheme, which had reached more than 8,000 companies,

---

including social enterprises, and reached a “gross value added increase” of about £30 million for almost 1,000 companies.  

35. Asked about the situation of SMEs that weren’t account-managed or exporting and the view that these businesses had been “short changed” (or found themselves in “no-man’s land” as a participant in one of the Perth workshops put it), Paul Lewis pointed out that 70% of SE’s account-managed companies fall into the SME category.

**Diversification**

36. Neil Frances said SE’s starting point was the Scottish Government’s 10-year target to raise the value of exports by 50% by 2017. To do so, he told the Committee, SE must get a “lot more companies to start exporting” and also support those with “the greatest potential” to significantly increase their international trading.  

37. Diversification of markets was certainly seen as an issue by Scotland Food and Drink. James Withers reported that 80% of food exported went to Europe. Ideally, he said, the “whisky model” should be followed – with a third of business in Europe, a quarter going to Asia, a fifth heading for North America, and the remainder “spread beautifully across the rest of the world”.  

**A stretch target**

38. Neil Francis mapped out what SE viewed as a three-stage journey: raising ambition; building capability; and exploiting opportunities. Questioned on the achievability of the target of increasing the number of SMEs in the export market – the aim being to go from 8,000 to 10,000 over the next five years – he described this as a “stretch target” and agreed it would not be easy. Mr Francis added that he considered that such an ambitious approach was called for in order to make progress. He suggested responsibility lay not only with SE or SDI but should be one shared with private and other public sector partners.

**Tangible benefits of collaboration**

39. Collaboration was seen as crucial to the approach. Stephen Boyd, STUC, cited the example of the Italian textiles and ceramics sectors, where co-operation
over mutual interests was possible despite their “fierce competition”.\textsuperscript{39} The Scottish Council for Development and Industry (“SCDI”) suggested that greater collaboration could bring “tangible benefits” for the economy, as had been shown in the food and drink sector.\textsuperscript{40} Mr Withers said a change of mind-set was required for companies to view the competition as no longer local but coming from the “the other side of the world”.\textsuperscript{41} He gave an example of a group of craft brewers, distillers and rapeseed oil producers sharing a pool of staff with expertise in export sales.\textsuperscript{42}

40. Mr Withers also referred to “the Taste of Arran”, a brand pulled together by a dozen producers of beer, whisky, jam, chutney, oatcakes and cheese—

“They are now filling a container together, whereas they could not do that individually…and those products are being served in the five-star hotels in Dubai.”\textsuperscript{43}

41. He also suggested there was a role for the public sector as “the catalyst for collaboration”, citing a market-driven supply chain project as “a really useful channel of investment.”\textsuperscript{44} As for account-managed companies, Mr Withers wondered if consideration might be given to the idea of a group of companies with shared goals and international ambition being account-managed on a collective basis and not just as individual entities.\textsuperscript{45}

A “long tail” of small companies

42. STUC’s Stephen Boyd said that “Scotland has a long tail of very small companies that lack the capacity and the ambition to grow”. There would be little to gain, he suggested, in supporting these companies in the same way as those being account-managed, and acceptance of that could only enhance the discussion.\textsuperscript{46}

A range of supports

43. Questioned on the percentage of “total SE growth exporters” in Dumfries and Galloway – at 1.8%, the lowest in Scotland, Paul Lewis suggested the figure reflected the account-managed base in the area but he would like to see it going up. He said SE was working on product, service and market development, and had agreed a programme of action with the South of Scotland Alliance.\textsuperscript{47}

44. Asked about the landscape since the demise of local enterprise companies, Scottish Chambers of Commerce talked about the range of supports offered by SE, local authorities or the Chambers themselves. It was important, said Garry

\textsuperscript{39} Official Report, Col 34, 8 Oct 2014.
\textsuperscript{40} Official Report, Col 29, 8 Oct 2014.
\textsuperscript{41} Official Report, Col 28, 3 Nov 2014.
\textsuperscript{42} Official Report, Col 33, 8 Oct 2014.
\textsuperscript{43} Official Report, Col 35, 8 Oct 2014.
\textsuperscript{44} Official Report, Col 35, 8 Oct 2014.
\textsuperscript{45} Official Report, Col 45, 8 Oct 2014.
\textsuperscript{46} Official Report, Col 45, 8 Oct 2014.
\textsuperscript{47} Official Report, Cols 27-28, 3 Nov 2014.
Clark, that businesses “do not feel disenfranchised by what is, in essence, a change in accounting.”

Scottish Enterprise’s budget
45. Of this year’s budget allocation for SE, Iain Scott said they wanted to focus on internationalisation and had sought to maintain expenditure in that area, albeit with a “slightly reduced income”. Mr Scott told the Committee—

“We work quite closely with the sponsor team in the Scottish Government, and we give it every opportunity to give us even more money every year.”

46. Asked about an increase in SE’s European funding and where resources would be directed, Mr Francis said the international element would be key to the Competitive Business programme. This would include the Smart Exporter programme (due to be reconfigured as a service for new exporters and called Scot Exporter) and a “high-growth markets desk” to improve access to the Middle East, India and China.

Tailored and focused support
47. Both initiatives were covered by the Cabinet Secretary for Finance, Employment and Sustainable Growth (John Swinney) in his opening statement to the Committee. He said the latter would “accelerate international sales” via more support for businesses to sell to “harder-to-enter-but-high-opportunity markets” while Scot Exporter was designed to help new and early-stage exporters.

48. Mr Swinney described the challenges to reaching the growth in exports target as three-fold: having a broad enough range of companies, gaining access to markets, and wider economic conditions. Support from the Scottish Government and its enterprise agencies must, he said, be “tailored and focused”. On the point raised in Perth and in other meetings about SMEs accessing support, the Cabinet Secretary emphasised that the account-managed structure was available to companies “of all sizes”.

49. Furthermore—

“I constantly test and challenge Scottish Enterprise to ensure that its account-managed decisions are focused on the companies in our economy that have growth potential, and not just on the big companies in Scotland.”

50. The Cabinet Secretary did however give an undertaking to the Committee to share “in due course” his conclusions on how support can best be given to those who want to meet “the innovation and internationalisation challenges”. He said—

---

“Having followed the evidence that the Committee took in Perth, I can see exactly where those comments came from and I have been considering the point for some time.”

**Having a global reach**

51. Describing the example of “the Taste of Arran” as “fabulous”, he said he would “evangelise” about it to the rest of Scotland. The thinking of companies, he suggested, had changed since his time as a consultant 25 years ago. Rather than winning over the Glasgow market then moving onto, say, Renfrew, it was now a case of digital and air connectivity giving companies the chance of “global reach”.  

52. Mr Swinney was asked about SDI’s budget, which is about 10% of SE’s allocation. He told the Committee that a balance must be struck between “external promotion” and the “company base in Scotland”. However, he cautioned against seeing the SDI budget as the sum of what was spent on “our export presence”, pointing to the “invaluable” work of account managers in first persuading and then preparing their charges to become exporters.

**Not just companies in city regions**

53. Of the total number of growth exporters in Dumfries and Galloway, he confirmed the number was 18 but said that, while it represented 1.8% nationally, this was actually 51% of the number of such companies in that area. The Cabinet Secretary reported that in recent years—

“I have picked up a sense that the south of Scotland would like more attention from Scottish Enterprise. There is a sense that there is not a dedicated economic development agency there, as there is in Highlands and Islands.”

54. He told the Committee that he had invited the South of Scotland Alliance to put together “a proposition” for improved engagement with SE on the basis of “a shared agenda”. That had now been received and formed the basis for on-going discussion. Mr Swinney defined “regional equity” as no part of the country being “left out of the process of economic development and renewal” and reassured the Committee that support for enterprise was not “just about companies in city regions”.

55. Also—

“… it is not acceptable for us to have growth in Scotland that excludes significant parts of our country. That is at odds with the Government’s economic strategy and it is at odds with the National Performance Framework.”

---

Recommendations and conclusions

56. The Committee has heard highly complimentary views from businesses in receipt of account-managed support but also picked up on a sense of frustration from those who found Scottish Enterprise’s door was not as open as it could be. The Committee welcomes the undertaking from both Scottish Enterprise and the Cabinet Secretary to look further into the matter of access, especially for those small and medium-sized enterprises wanting to meet the challenge of innovation and internationalisation. The Committee expects to be updated on the outcome of this consideration in due course.

57. A number of themes emerged from the evidence that can be picked up by the Committee in its forthcoming inquiry work. These include: the nature of the relationship between innovation and internationalisation; the funding of research and development; the interface between academia and business; Scottish Enterprise’s three-step approach to supporting businesses into international markets (in précis: ambition, capability, opportunity); the “key sector” approach; what can be done to improve connectivity; and a suggested role for the public sector as “catalyst for collaboration”.

58. The Committee welcomes the bold targets set for Scottish exports, both the Scottish Government’s aim to boost exports by 50% by 2017 (as set out in the National Performance Framework or NPF) and Scottish Enterprise’s “stretch target” of increasing from 8,000 to 10,000 over the next five years the number of small and medium-sized enterprises exporting. Ambition can provide focus, inform direction and demonstrate leadership and drive.

59. The Committee notes also Scottish Enterprise’s statement that Scotland is still focused on “too few sectors, too few companies and too few markets” and “we have to do more”. The Committee is encouraged by that determination but we will return to the question of what the “more” entails and the relevance and achievability of the “increase exports” NPF indicator (and related targets) in its coming inquiry. It is understood that the idea of a “stretch target” calls for more than working harder or working smarter – it calls for new strategies and new incentives. The Committee will explore this further but for now confines itself to the remark that even elasticity has its limits.

60. Another line of questioning, one pursued vigorously, was the sense of regional disparity in the support for enterprise, most notably in the south of Scotland. The Committee welcomes the statement from the Cabinet Secretary that it is “not acceptable” for parts of the country to be left behind and that the development/renewal agenda was not “just about companies in city regions”. The Committee asks to be kept informed of progress in the dialogue with the South of Scotland Alliance.
FUEL POVERTY

Introduction
61. The fuel poverty budget line is maintained at £79 million in 2015-16, the Scottish Government expecting leverage of an additional £121 million from the energy companies via the Energy Company Obligation programme ("ECO").

Follow-up information from last year
62. Following up on issues raised in last year’s Committee report on the Draft Budget, the following are highlighted—

- The Committee invited the Scottish Government to publish an annual report alongside its Draft Budget and climate change mitigation figures, on progress with fuel poverty – the Scottish Government replied that it would publish its next annual report "towards the end of this year";

- The Committee asked for an update on the work of the Scottish Fuel Poverty Forum – the Forum published its final report in March 2014 and the Deputy First Minister informed the Committee in May that all recommendations were accepted;

- The Committee asked to be updated on the Home Energy Efficiency Programmes Scotland ("HEEPS") – the Scottish Government said in response to the UK Government’s changes to ECO, it was giving local authorities greater flexibility in how they deliver such schemes. Also, the Energy Assistance Scheme ("EAS") was reprioritised over the Affordable Warmth Scheme ("AWS");

- The Committee sought an update on investment in renewables – the Scottish Government responded that it was accelerating investment in low carbon infrastructure, as well as continuing support via the Community and Renewable Energy Scheme ("CARES"), REIF and other such schemes;

- The Committee asked for more detail on how the 2020 renewables target of 100% of electricity demand from renewable energy (as well as an 11% renewable heat target) will be met – the Scottish Government said it continued to make the case for improving the UK regulatory regime. (The most recent estimates indicate that renewables met 46.4% of gross electricity consumption in 2013.);

- The Committee sought clarity on funding for district heating projects and what support was being made available under the District Heating Action Plan – the Scottish Government response was that since 2011 £4.6 million has been allocated to 23 projects.

Eradicating fuel poverty
63. Asked if the statutory duty to abolish fuel poverty by November 2016 was likely to be met, Energy Action Scotland ("EAS") suggested not. Norman Kerr told the Committee that the annual spend over the last seven years had been about
£60m, some way off the £200m his organisation had consistently said was required.60

64. Mr Kerr lamented the fact that the Scottish Government had not carried out “a full cost analysis” of eradicating fuel poverty. He said—

“We have a budget but we have no idea whether it is fit for purpose.”61

65. Asked what he considered it would cost, Mr Kerr offered a figure of “£10 billion...plus or minus 50%”. WWF’s Sam Gardner said his organisation had commissioned a report three years ago that had come up with a figure of £7 billion. Dr Gardner suggested that, on the basis of time elapsed and changing circumstances, Mr Kerr’s figure “seems to be accurate.”62

66. Pressed on where the money should be taken from to meet that figure, Mr Kerr suggested it was a decision for politicians but, in his view, the £79 million allocated was not sufficient. Dr Gardner highlighted the statutory underpinning of both the fuel poverty and climate change targets and suggested it was for the Scottish Government to provide the Committee with “confidence” that the budget was adequate to achieve them.63

67. What was needed was housing that people could afford to stay in, said Mr Kerr; the opposite of fuel poverty being “affordable warmth”. A number of housing providers were now working on that basis and the Scottish Government, he suggested, might wish to adopt the same approach. A “whole-house approach” could, in his view, address energy production and carbon reduction as well as affordable warmth.64

Energy Company Obligation

68. On the subject of ECO, Mr Kerr said it was understood that most of the money from the scheme went on boiler replacements for homes on the gas grid and therefore was not helping those areas in which fuel poverty was worst. Dr Gardner highlighted that the Scottish Government said ECO would be reduced by around £50 million in Scotland and he suggested this should be reflected in the Draft Budget. He told the Committee he would have expected “some means to mitigate the impact of that”.65

69. Mr Kerr suggested that, given the best carbon saving came from switching fuel from electricity to gas, ECO was not well suited for rural areas. He was also critical of building a budget based on two thirds of the funding coming from “something that you know is unstable”. He said—

“We recognise ECO’s failings, which it has had from the very start, and the budget should have reflected that. Sadly, it does not.”

70. The importance of having an energy efficiency officer was underlined by Mr Kerr, who suggested that local authorities that had secured extra Scottish Government and ECO funding tended to be those with such a figure at the centre of their housing strategy. He was “delighted” that Orkney, for example, had now appointed an energy efficiency officer.

**Deep fuel poverty**

71. A targeted, more “area-based approach” was desired, as recommended by the Scottish Fuel Poverty Forum, said Mr Kerr. Decisions should be taken on the basis of need. This was the aim behind HEEPS but success had been limited, he believed, because local authorities did not always distinguish between areas of “deep fuel poverty” and those in need of housing repairs.

72. Dr Gardner referred to “a clear statement” from the UK Committee on Climate Change that the energy efficiency agenda should be given greater emphasis if the Scottish Government was to achieve its targets. The Draft Budget 2015-16 was, he said, in the view of WWF Scotland and EAS—

“… a standstill budget that does not seem to reflect that external context.”

**The private sector**

73. Mr Kerr said the best way to mitigate for rising fuel prices and falling incomes was to insulate homes. He said there was no marker from the Scottish Government to indicate that it would achieve “X level of energy efficiency for whatever percentage of homes in Scotland by a certain time”. Only now, he said, had a group been established to look at standards in the private rented sector.

74. The properties performing least well in terms of the National Home Energy Rating were privately rented and privately owned homes, said Mr Kerr. Dr Gardner suggested the figure for these, the majority of homes in Scotland, had been “more or less static” and there was “a big job to be done”. Mr Kerr said the private sector had been “notoriously difficult to engage” and he told the Committee—

“We are at a stage where we have provided all the carrots, so we may need to look at legislation to encourage or nudge people in the private sector.”

**Counting the cost to health and the economy**

75. The witnesses were asked about heating conditions and the health impact of cold and damp housing, as well as the potential savings and economic opportunities of investing in insulation. Mr Kerr pointed to research by the University of Ulster on behalf of Save the Children showing that for every £1 invested in energy efficiency 42 pence was saved for the NHS. He also mentioned

---

Professor Marmot’s finding that 40% of winter deaths in the UK could be attributed to living in cold, damp housing.\textsuperscript{72}

76. Dr Gardner said that Consumer Focus Scotland had carried out a piece of work showing that as many as 9,000 jobs could be created by 2027. There would also, the study suggested, be a cut to household fuel bills by an average of £505 and a reduction in national gas import costs of almost £1 billion. WWF had also commissioned Cambridge Econometrics to look at the “macroeconomic benefits to the UK of delivering on our fourth carbon budget” and this found that around 10,000 jobs would be created.\textsuperscript{73}

\textit{Market uncertainty}

77. Regarding the uncertainty created by the UK Government’s energy market reform, Dr Gardner described this as “absolutely critical” for energy efficiency and renewable power. He favoured the idea of using the Scottish Government’s Infrastructure Investment Plan (in which there is a line for HEEPS) as a way of creating more certainty for projects aimed at improving energy efficiency in housing. Otherwise, he said, there could be “no conclusion” and no confidence in the outcome.\textsuperscript{74}

78. Dr Gardner posed his own question for the Cabinet Secretary—

“Why has the Scottish Government given priority and the right level of ambition to improving our housing stock, but not translated that into a clearly funded package that will give confidence that the improvement will be achieved?”\textsuperscript{75}

79. He said this could offer a means of making households better off, creating jobs, and tackling fuel poverty and the poor health that comes of living in cold and damp conditions, adding—

“… it is clearly a public good to give certainty to that agenda, and the Infrastructure Investment Plan is the appropriate place in which to lock it down.”\textsuperscript{76}

\textbf{RENEWABLE ENERGY}

\textit{Introduction}

80. The Fossil Fuel Levy – Renewables Projects budget line, which is the Renewable Energy Investment Fund (“REIF”) has gone down by £20 million or 57% since 2014-15. The Energy Capital budget line has increased by £44 million, or 260% over the year, to £61 million. This has meant an overall (Level 3) increase in the energy budget line by 32% to £108 million.
A step change
81. Scottish Renewables expressed positivity over the Draft Budget, “the text – at least”, when it came to investing in offshore wind, wave and tidal technologies and the CARES fund. In the context of exports, Jenny Hogan said the Scottish supply chain was in need of “visibility and volume” in the years ahead and that “fundamentally” this required working with the UK Government to encourage “further foresight” beyond 2020 budget lines. She also suggested Scotland was still “very far off” meeting targets for renewable and District Heating. She told the Committee—

“I make a plea for a step change in investment in renewable heating”.

District heating
82. Ms Hogan welcomed the Scottish Government’s focus on District Heating but pointed out the challenge of getting from the current figure of 3% of heat coming from renewables to the target of 11% by 2020. It was “a huge job” and required confidence that investment would continue to rise. She said District Heating was not all about renewable energy, nor would it cover the whole country, but it did point in the right direction.

83. WWF Scotland also welcomed the increased funding for District Heating but Dr Gardner said it was important to have a regulatory framework in place that could protect the consumer and incentivise the market. He suggested there was “a body of work to be done on that”. A targeted development fund was also required, in his view, to help the progress of projects from feasibility study through to investment.

84. Mr Kerr told the Committee about Aberdeen Heat and Power, which, after a decade of operation, had just signed up its 2,000th customer. He said there was activity out there but “financial signals” about viability over the long-term were needed to encourage private funding.

85. A heat map of Scotland now exists, said Dr Gardner, enabling targeting where District Heating could reduce heating bills. He pointed to Norway, Denmark, Sweden and Austria, where a regulatory framework and greater market confidence had stimulated levels of investment so that in Copenhagen, for example, 98% of the population was now connected to a district heating network. He said—

“What Scotland is envisaging exists elsewhere in northern Europe, and we ought to be able to mimic it”.

Need for leadership
86. Ms Hogan praised the role of the Scottish Government, particularly when it came to the developing marine industry. She referred to a recent study that showed that for every £1 of government funding, the industry had secured private...
investment of £8. Ideally this would be replicated across the whole renewables sector, she said, but (at both the Scottish and UK level)—

“… we really need Government leadership to pull all of this together.”

A sustainable budget line for renewables

87. In his opening remarks to the Committee, the Cabinet Secretary referred to the Scottish Government’s “comprehensive range of interventions in relation to the low-carbon economy.”

83. Asked about District Heating, he said an additional £4 million had been allocated to the scheme over the next two years, with £4 million added to the Home Renewables Loan Scheme, and he recognised the need “to ensure a sustainable budget line” for renewables in the longer term (up to 2020).

88. Asked about HEEPS and the performance of local authorities with energy efficiency officers as compared to those without, Mr Swinney said encouragement and delivery mattered more than who the provider was employed by—

“The key question that must be answered is whether it is practical and possible for members of the public to access the advice.”

Retrofitting

89. Asked for his view on WWF Scotland’s call for retrofitting energy efficiency measures to be made a national infrastructure priority, the Cabinet Secretary told the Committee—

“I support it … retrofitting the hard-to-treat properties is a far greater challenge than applying state-of-the-art energy efficiency measures to new-build properties.”

Climate change mitigation

90. When it was pointed out that the Committee had received the information about funding for climate change mitigation only the previous afternoon (such late arrival being a far from novel occurrence), the Cabinet Secretary said he would try to make sure the information was “provided timeously” in future.

A hiatus in investment

91. Quizzed as to where the £20m reduced from the REIF budget line had gone to and why, Mr Swinney said, due to market uncertainty at the UK level, it was unlikely that the Scottish Government would have been able to spend the money. He spoke of “a hiatus in investment” linked to electricity market reform, but said—

“I give a commitment to the Committee today that I will meet the obligation that I accepted to spend Fossil Fuel Levy resources of £103 million on relevant commitments … but they will be spent over a longer timeframe.”

Private rented sector

92. When the matter of the private rented sector falling behind in terms of energy efficiency was raised, the Cabinet Secretary said “very significant levels of investment” were available. He reported that since 2008 more than 600,000 households had been in receipt of efficiency measures, something he saw as “a pretty comprehensive start”. Pressed on the private rented sector in particular, as opposed to the private sector as a whole, Mr Swinney said—

“I have not seen specific data on that point, but I will certainly explore it. If there is a particular weakness in the private rented sector …. [we can] refine the focus of our intervention.”\(^{89}\)

Hallmark of responsibility

93. Of fuel poverty the Cabinet Secretary said “a more comprehensive and fairer service” could be provided by “a properly planned and funded” approach, one that included working with “delivery partners”.\(^{90}\) Asked about the reliance on ECO money in meeting the target, a flawed approach in the view of EAS, he stated—

“… we will be happy to reflect further on the advice that Mr Kerr has offered to see whether there is any way in which we can further strengthen the focus and effectiveness of that expenditure.”\(^{91}\)

94. Mr Swinney described the “evolution” of the UK Government’s policy on ECO, the final design yet to be completed, and underlined the need for “complementary initiatives” to avoid duplication at a time of scarce public money. This was the best way to tackle fuel poverty, he said, and “the hallmark of how the Scottish Government exercises its responsibility”.\(^{92}\)

Mindful of wider programmes

95. When it came to tackling fuel poverty in “hard-to-treat areas”, the Western Isles (where fuel poverty is said to be as high as 71%) for example, Mr Swinney suggested there was a need to understand how far “wider steps” can make an impact. He agreed that homes not on the gas grid, as was the case in many rural areas, were an “acute challenge” and “a particular priority”. Asked when the Warm Homes Fund for 2015-16 would be confirmed, he could not specify a date but said decisions would be made “fairly shortly” and “mindful of the need to complement wider programmes”.\(^{93}\)

96. The Cabinet Secretary said he had “no plans” to undertake a full cost analysis of what it would take to eradicate fuel poverty, telling the Committee that the Scottish Government’s focus was “delivering the practical steps” to deal with fuel poverty.\(^{94}\)

\(^{89}\) Official Report, Cols 6-7, 12 Nov 2014.
\(^{90}\) Official Report, Col 3, 12 Nov 2014.
\(^{91}\) Official Report, Col 5, 12 Nov 2014.
\(^{92}\) Official Report, Col 8, 12 Nov 2014.
\(^{93}\) Official Report, Cols 8-11, 12 Nov 2014.
\(^{94}\) Official Report, Col 6, 12 Nov 2014.
97. On the question of the consequences if the Scottish Government did not meet the statutory target to eradicate fuel poverty by November 2016, Mr Swinney said—

“...the Government will have to explain itself to Parliament.”

Recommendations and conclusions

98. The Committee is concerned that, as seems increasingly likely, the statutory target to eradicate fuel poverty “so far as reasonably practicable” by November 2016 will not be met. Factors such as uncertainty created by the UK Government’s energy market reform, the future direction of the Energy Company Obligation (which the Committee recognises currently lies outwith the control of the Scottish Government until implementation of the Smith Commission recommendations) and on-going constraints on public spending are well understood and acknowledged, as is the scale of the challenge, especially in reaching homes and indeed whole communities living in acute fuel poverty. The Committee therefore requests from the Scottish Government quarterly updates over the next 24 months on general progress, including latest data, related UK-level developments, and any consequential refinement of Scottish Government policy. The Committee is particularly interested in the success (or otherwise) of initiatives/schemes on the ground and details of work specifically directed at areas of “deep fuel poverty”.

99. The Committee also intends to request regular updates over the next 24 months from the UK Government on how reserved policy decisions are impacting on fuel poverty in Scotland. Given the impact that market uncertainty is having on the future direction of the ECO – something which is currently outwith the control of the Scottish Government until implementation of the Smith Commission recommendations – the Committee believes that it would be useful for a UK Government minister to give formal evidence in person before the Committee on the impact that changes to ECO will have on fuel poverty in Scotland.

100. The Committee welcomes the Cabinet Secretary’s declared focus on the delivery of practical steps to eradicate fuel poverty, but – given concerns expressed by Energy Action Scotland, WWF Scotland and Existing Homes Alliance Scotland, and being of the view that a robust and up-to-date analysis could certainly focus minds on the November 2016 deadline – recommends that the Scottish Government undertake a full cost analysis of what it will take to achieve that aim. The Committee also welcomes his willingness to reflect on how the focus and effectiveness of ECO and other fuel poverty related expenditure – particularly for areas of acute fuel poverty – might be strengthened.

101. The Committee welcomes the Cabinet Secretary’s acknowledgment of the importance of having a sustainable budget line for renewables in the longer term and his commitment that the £20 million removed from the

renewables budget line will be spent on relevant commitments (though over a longer period of time).

102. The Committee welcomes the Cabinet Secretary's support for the retrofitting of energy efficiency measures to become a national infrastructure priority. 

The Committee recommends that the Infrastructure Investment Plan define this priority and be used to create more certainty for projects aimed at improving energy efficiency in housing – particularly for areas of acute fuel poverty. Given the intention to introduce a Bill on “a new tenancy for the private sector” in this parliamentary session (provisionally scheduled for introduction later in 2015 and currently being consulted on), the Committee recommends that the Scottish Government explore opportunities this Bill may afford to drive energy efficiency improvements in the sector.

103. Finally, having listened to the concerns expressed by Scottish Renewables and others that Scotland is still “very far off” from meeting targets for District Heating, the Committee relays the plea for “a step change” in investment in renewable heat.

TOURISM

Introduction
104. A recent Deloitte study found that the “visitor economy” delivers £11.6 million to the Scottish economy, employing 292,000 people.

105. International Passenger Statistics show that visitors to Scotland from North America went up from 385,000 to 510,000 in the year to the end of June 2014. Overall tourist visits rose from 2.2 million to almost 2.6 million over the same timeframe, and tourist spend climbed from £1.5 billion to £1.6 billion.

106. Clearly 2014 was a major year for tourism and events; and 2015 will see Scotland host the Turner Prize, Gymnastics World Championships, Swimming World Championships, International Mountain Bike World Championships, Judo European Championships and, in golf, the Open and the Women’s British Open.

The winning years
107. VisitScotland’s Malcolm Roughead talked of “a fantastic year”, the full economic results of which would be available for the Committee by next spring. He suggested the success of Glasgow 2014 and the Ryder Cup had shown that—

“…we have not only the capability and capacity to deliver such events but the credibility to continue to be ambitious and bid for more.”

---

98 http://www.scottish.parliament.uk/S4_EconomyEnergyandTourismCommittee/Inquiries/VisitScotland(1).pdf
99 http://www.scottish.parliament.uk/S4_EconomyEnergyandTourismCommittee/Inquiries/VisitScotland(1).pdf
108. 2014 marked the culmination of a five-year programme called “the Winning Years”, he said, viewed as “a catalyst” for the following five-to-ten years. VisitScotland was “very pleased” with the outcome of this year’s Draft Budget. The costs of the Homecoming and Ryder Cup were gone and the budget was up £5 million, enabling focus on aviation routes and “the events platform”.  

Tourism as a growth generator

109. Business tourism, Mr Roughead said, had generated almost £110 million (from a modest outlay of £1 million) of conference business for the next five or six years.102 A “healthy majority” of such conferences were in the life sciences area and work was done in conjunction with SDI to encourage inward investment.103 The link between tourism and business was also apparent via VisitScotland’s website, which held 9,000 listings and generated two million referrals, although with only an 8% conversion rate – something that would be addressed in discussion with the enterprise agencies.104

110. He spoke positively about co-operation with local authorities and such work covering marketing, information, destination management and inward investment, but told the Committee—

“We probably have to find a way of reaching businesses that could prosper but have not had the opportunity to do so.”105

111. A piece of “in-depth” work on tourism was just beginning, said Ken Neilson, which, in conjunction with local authorities and enterprise agencies, may look at Argyll, Dundee, Orkney and North Ayrshire. This would “examine tourism as a growth generator”.106

Meet the Scots

112. Mr Roughead said that VisitScotland’s theme this year was “Meet the Scots”, a marketing campaign match funded by Qatar Airways, lending an emphasis to Asia and Australia. In terms of air connectivity, work was also on-going with Etihad Airways, Emirates Airline, Easyjet, Ryanair, Westjet and United Airways.107 The approach within Europe, he said, was “less about new routes and more about increasing capacity and frequency”.108

113. Asked about the target to increase tourism revenues by 50% by 2015, Mr Roughead suggested ambition was a great thing—

“…we want to empty their wallets but leave them with a smile.”109

---

Ambassadors for accessible tourism

114. Accessible tourism was an issue covered in VisitScotland’s written and oral evidence. It was said to generate £391 million for the economy but remained “a largely untapped market”. Work had been undertaken within the industry over the last 18 months and those passionate about the issue were acting as “ambassadors” on the issue.  

115. Internationally, Italy and Australia were said to be leading in this field and it was suggested lessons could be learned from them. Mr Roughead agreed that progress would not occur overnight but pointed out accessibility statements were implemented for the Glasgow 2014 games and this would be something to “carry forward into the next year and beyond”. He said—

“…people should not be excluded from taking a holiday in Scotland because of a particular disability.”

A very competitive proposition

116. Business tourism, the Cabinet Secretary told the Committee, had delivered “significant returns”, an initial £3 million investment having provided a return of £107 million. He was effusive about the potential of the conference market—

“It is a very competitive market but we have a very competitive proposition.”

117. 2014 was “a bumper year” for visiting Scotland, said Mr Swinney, with Glasgow 2014 and the Ryder Cup presenting “a platform for business development conversations”.

World audience

118. He explained that the decision to allocate extra resources to VisitScotland was to enable them to build on “a fabulous year of promotion”. Talking of an “extraordinary” audience of 500 million for the Ryder Cup, as well as the focus brought by the Commonwealth Games and the referendum, he said—

“Scotland in 2014 looked great to a world audience and we need to sustain that.”

119. The importance of the role of SDI in promoting Scotland as a destination for investment was underlined by the Cabinet Secretary—

“That is not just about the topography, the geography and the scenery but about the inherent and economic strength, the skills base, the educational capability and the inventiveness of the Scottish population.”

Conclusion

120. The Committee welcomes the success story that has been the Year of Homecoming 2014, a year which has seen Scotland perform on the world stage and show all that it has to offer in the realms of sport, business, culture, tourism and hospitality. We await with interest the publication of the formal economic evaluation of the year’s events and look forward to the Year of Food and Drink Scotland 2015.

OTHER ISSUES

Equalities

121. In recent years the Committee’s budget scrutiny has looked at the participation of women and black and minority ethnic participants in business start-ups; equal access and participation in the policies and programmes within Skills Development Scotland and the Modern Apprenticeship Scheme; higher levels of female unemployment and low paid employment, and the continuing preponderance of men in employment in certain sectors, such as the energy sector.

122. This year the themes covered included employment and training for young people and accessible tourism. See paragraphs 114 to 115 on the latter.

123. Asked about getting young people into work and how the budget might be used to incentivise that, STUC’s Stephen Boyd said that in Germany there was “a strong cultural obligation” to train young people. He was pessimistic about the chances of replicating that elsewhere. Mr Boyd pointed out that the employment rate for the over-45s had risen above its pre-recession level, also having an impact for young people’s employment prospects. He commended the recently published report of the Commission for Developing Scotland’s Young Workforce (“the Wood report”), but said—

“The matter remains as pressing a concern as it was two or three years ago.”\(^{116}\)

124. The Scottish Chambers of Commerce were more sanguine, pointing to examples of businesses “engaging very early in the school curriculum”. In Renfrewshire, for example, every high school had joined the local chamber, which, Garry Clark said—

“…not only gets businesses into schools and young people out of schools and into work placements but gets teachers into work placements for them to find out a bit more about industry.”\(^{117}\)

125. James Withers of Scotland Food and Drink suggested that apprenticeships in his industry had “gone through the roof compared with where they were”. He said

\(^{117}\) Official Report, Col 52, 8 Oct 2014.
there was now recognition that apprenticeships were “part of the jigsaw of future skills.”

126. SCDI highlighted its young engineer and science clubs, involving 12,000 young people, a network that had been industry led. Iain McTaggart told the Committee—

“It is about trying to give young people vision and excitement about the potential of engineering, technology and science disciplines”.

127. The Committee recognises the social and economic importance of getting young people into training and employment. It is heartened by some of the evidence heard and hopes that delivery of the recommendations of the Wood report will make a difference. The Committee brings this matter, along with that of accessible tourism (see paragraphs 114 to 115), to the attention of the Equal Opportunities Committee.

Climate Change

128. The Committee has not addressed climate change explicitly in its consideration of this year’s Draft Budget but inevitably there is overlap when considering energy efficiency, fuel poverty and renewables. For example, during his evidence to the Committee, Dr Gardner of WWF Scotland brandished a Scottish Government graph depicting the direction of RPP (Report on Proposals and Policies) emissions reductions. He referred to the UK Committee on Climate Change’s view that significant work lies ahead if Scotland is to meet “the aspirational or legal ambitions” of the legislation, and he critiqued “a standstill budget that does not seem to reflect that external context”.

129. The Committee draws the attention of the Rural Affairs, Climate Change and Environment Committee to the above paragraph and to the section of this report that addresses energy efficiency, fuel poverty and renewables. See paragraphs 61 to 103.

Welfare Reform

130. It is looking increasingly unlikely that the target to eradicate fuel poverty by November 2016 will be met. The Committee directs the attention of the Welfare Reform Committee to paragraphs 61 to 79 and 98 to 102.

Follow-up to last year’s Budget Scrutiny

131. On 14 July 2014 the Committee received follow-up information from the Scottish Government relating to various recommendations contained in its report on last year’s Draft Budget. The letter can be found here.

---

122 http://www.scottish.parliament.uk/S4_EconomyEnergyandTourismCommittee/Inquiries/CFESG_t o_Convener__14072014.pdf
23rd Meeting, 2014 (Session 4), Wednesday 8 October 2014

Draft Budget Scrutiny 2015-16: The Committee took evidence on the Scottish Government's Draft Budget 2015-16 from—
Garry Clark, Head of Policy and Public Affairs, Scottish Chambers of Commerce;
Stephen Boyd, Assistant Secretary, Scottish Trades Union Congress;
James Withers, Chief Executive, Scotland Food and Drink;
Iain McTaggart, General Manager and Company Secretary, Scottish Council for Development and Industry.

24th Meeting, 2014 (Session 4), Wednesday 29 October 2014

Draft Budget Scrutiny 2015-16: The Committee took evidence on the Scottish Government's Draft Budget 2015-16 from—
Malcolm Roughead OBE, Chief Executive, and Ken Neilson, Director of Corporate Services, VisitScotland;
Jenny Hogan, Director of Policy, Scottish Renewables;
Dr Sam Gardner, Head of Policy, WWF Scotland;
Norman Kerr, Director, Energy Action Scotland.

Draft Budget Scrutiny 2015-16 - Review of evidence heard: The Committee reviewed the evidence heard at the meeting.

25th Meeting, 2014 (Session 4), Monday 3 November 2014

Draft Budget Scrutiny 2015-16: The Committee considered the outcomes of the workshop sessions involving local organisations held before the start of the meeting.

Draft Budget Scrutiny 2015-16: The Committee took evidence on the Scottish Government's Draft Budget 2015-16 from—
Paul Lewis, Managing Director, Operations (Sectors, Commercialisation and Investment), Iain Scott, Chief Financial Officer, and Neil Francis, International Operations Director, Scottish Enterprise;
Alex Paterson, Chief Executive, and Forbes Duthie, Director of Finance and Corporate Services, Highlands and Islands Enterprise.

27th Meeting, 2014 (Session 4), Wednesday 12 November 2014

Draft Budget Scrutiny 2015-16: The Committee took evidence on the Scottish Government's Draft Budget 2015-16 from—
John Swinney, Cabinet Secretary for Finance, Employment and Sustainable Growth, John Mason, Director of Business, and Mary McAllan, Director of Energy and Climate Change, Scottish Government.

29th Meeting, 2014 (Session 4), Wednesday 3 December 2014

Budget Scrutiny Phase 2015-16 (in private): The Committee considered a draft report to the Finance Committee on the Scottish Government’s Draft Budget 2015-16.
ANNEXE B – ORAL AND ASSOCIATED WRITTEN EVIDENCE

23rd Meeting, Wednesday 8 October 2014

Official Report

Garry Clark
Stephen Boyd
Iain McTaggart
James Withers

WRITTEN EVIDENCE

Associated Written Evidence
Citizens Advice Scotland
ICAS
Law Society of Scotland
R3 Scottish Technical Committee
Scotland Food & Drink
StepChange

24th Meeting, Wednesday 29 October 2014

Official Report

Dr Sam Gardner
Jenny Hogan
Ken Neilson
Norman Kerr
Malcolm Roughead OBE

WRITTEN EVIDENCE

Visit Scotland
Visit Scotland - Supplementary
Scottish Renewables
WWF Scotland
Energy Action Scotland

25th Meeting, Monday 3 November 2014

Official Report

Neil Francis
Paul Lewis
Iain Scott
Alex Paterson
Forbes Duthie

WRITTEN EVIDENCE

Scottish Enterprise
27th Meeting, Wednesday 12 November 2014

John Swinney, Cabinet Secretary for Finance, Employment and Sustainable Growth

FURTHER WRITTEN EVIDENCE

CBI Scotland (217KB pdf)
CBI Scotland - Supplementary (100KB pdf)
Enterprise Research Centre (191KB pdf)
Existing Homes Alliance Scotland (104KB pdf)
Existing Homes Alliance Scotland- October 2014 (150KB pdf)
Highlands and Islands Enterprise - Supplementary (309KB pdf)
Oil and Gas UK (77KB pdf)
ResDiary (9KB pdf)
Scottish Chambers of Commerce (121KB pdf)
Scottish Council for Development and Industry (177KB pdf)
Scottish Federation of Housing Associations (151KB pdf)
Scottish Retail Consortium (292KB pdf)
Scottish Salmon Producers' Organisation (171KB pdf)
Scottish Youth Parliament (106KB pdf)
Skills Development Scotland (292KB pdf)
STUC (370KB pdf)
UNISON (217KB pdf)
Universities Scotland (290KB pdf)

SUPPLEMENTARY SUBMISSIONS

Scottish Government (2,358KB pdf)
Scottish Enterprise & Highlands and Islands Enterprise (317KB pdf)
Skills Development Scotland (170KB pdf)
## ANNEXE C

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Leading to</th>
<th>Outputs</th>
<th>Leading to</th>
<th>Shorter term</th>
<th>Longer term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas staff costs (£4.9m) and office space overseas (£5.3m)</td>
<td></td>
<td>Scottish Development International’s 28 overseas offices</td>
<td></td>
<td>Businesses make contacts overseas and access market intelligence</td>
<td></td>
</tr>
<tr>
<td>Events funding including trade missions and Smart Exporter training (£7.6m), and grant funding for participating companies (£6m)</td>
<td></td>
<td>SDI trade missions and Smart Exporter training</td>
<td></td>
<td>More businesses developing the skills, knowledge and confidence ‘to go international’</td>
<td></td>
</tr>
<tr>
<td>Direct funding (SIB funding of £27.3m in 2014-15) and financial readiness advisers (staff costs).</td>
<td></td>
<td>Scottish Investment Bank support for companies</td>
<td></td>
<td>Improved access to finance for potential exporters</td>
<td></td>
</tr>
<tr>
<td>Staff costs (£22m in 2014-15) and account management delivery costs* (£16.4m) for all growth companies of which 62% export.</td>
<td></td>
<td>Scottish Enterprise support for growth companies</td>
<td></td>
<td>Companies improving international competitiveness</td>
<td></td>
</tr>
<tr>
<td>RSA funding (£30m) and SDI inward investment staff costs (total SDI Scottish staff costs £10m)</td>
<td></td>
<td>Attracting foreign direct investment, eg through RSA funding</td>
<td></td>
<td>More foreign direct investment ‘which enhances the competitiveness of our growth sectors’</td>
<td></td>
</tr>
</tbody>
</table>

*All funding figures relate to FY 2013-14 unless indicated otherwise. *Figure includes small grants and cost of external expert support.*

---

In this table, inputs are aligned with leading to outcomes, and those outcomes are then linked to the shorter and longer term outcomes. The table highlights how resources allocated to specific activities (inputs) lead to desired outcomes (leading to) that in turn contribute to both shorter and longer term benefits for businesses, such as increased exports and improved access to finance.

### Increased exports

- **Shorter term**: Improved access to finance for potential exporters
- **Longer term**: Companies improving international competitiveness

*Figure includes small grants and cost of external expert support.*