



The Scottish Parliament  
Pàrlamaid na h-Alba

## Economy, Energy and Tourism Committee

### The Scottish Government's Draft Budget for 2013-14

The Committee reports to the Finance Committee as follows—

#### RECOMMENDATIONS AND CONCLUSIONS

##### *Context*

**1. RECOMMENDATION 1 - The Committee recognises the on-going economic challenges faced by the Scottish Government in terms of the need to both stimulate the economy and tackle unemployment.**

##### *National Performance Framework*

**2. RECOMMENDATION 2 – The Committee notes the important role that the National Performance Framework fulfils in providing a broader measurement of performance and recommends that the Scottish Government continue to update the targets so that they remain relevant and are date specific.**

**3. RECOMMENDATION 3 – The Committee notes the evidence suggesting a need for greater alignment between the National Performance Framework targets and the budget, and calls on the Scottish Government to set out how the budgetary allocations will contribute to the purpose targets.**

**4. RECOMMENDATION 4 – The Committee recognises the importance of undertaking a range of measurements alongside GDP to determine whether the NPF target of achieving a more successful country is being achieved. We recommend that the Scottish Government adopt an approach of including the NPF measurements to determine if social, economic and environmental goals are being achieved. We would welcome the Scottish Government providing more detail in the equality statement as to the impact of the draft budget.**

##### *The Strategic Forum and efficiency savings*

**5. RECOMMENDATION 5 - The Committee is unable at this time to make an assessment as to whether the efficiency savings of £25 million to be made by the Strategic Forum partners are achievable or to assess their likely impact on service delivery. We ask the Strategic Forum partners to provide the Committee with details of the savings, and how they are calculated in cash terms, once known.**

*Preventative spend*

**6. RECOMMENDATION 6 – The Committee welcomes the Scottish Government’s continued commitment to implementing preventative spend measures. We also encourage Scottish Enterprise, Highlands and Islands Enterprise and VisitScotland to consider how a preventative approach can be pursued in their activities.**

**7. RECOMMENDATION 7 - We ask the Scottish Government to confirm how it will evaluate the impact of preventative spend measures within the economy, energy and tourism portfolio.**

*Tackling unemployment and underemployment*

**8. RECOMMENDATION 8 – The Committee welcomes the steps taken by the Scottish Government to allocate additional funding to support youth employment. It considers that this will help to provide opportunities for young people to gain employment experience and develop their skills. The Committee asks the Scottish Government to assess the impact of this investment and current college funding on the creation of sustainable employment.**

**9. RECOMMENDATION 9 - The Committee is concerned at the number of underemployed people and the impact that this has on living standards and skills development. We ask the Scottish Government to gather evidence on any trend with a view to considering how this problem could be addressed.**

**10. RECOMMENDATION 10 – The Committee is concerned by the higher levels of female unemployment and by the continuing preponderance of men in certain sectors, such as the energy sector. We recognise that there is already on-going work in this area and ask the Scottish Government to consider how the number of women working in these sectors can be increased. We also ask the Scottish Government to consider how it can address the higher levels of women in low paid employment and its consequent impact on child poverty.**

*Skills, training and apprenticeships*

**11. RECOMMENDATION 11 – The Committee welcomes the significant proposed investment in skills and training from a range of sources, particularly for young people. It notes the concerns raised by the business sector and asks the Scottish Government to ensure that these resources are directed at tackling the skills gaps identified.**

**12. RECOMMENDATION 12 – The Committee is concerned that, despite current high levels of unemployment, there still appears to be skills shortages in certain sectors. It believes that this reflects a disconnect in supply and demand in the employment market. We welcome the Cabinet Secretary’s commitment to working with the industry leadership groups and ask the Scottish Government to provide data on skills shortages once available and reassurance on how these will be addressed.**

*Productivity*

**13. RECOMMENDATION 13 – The Committee is aware of the need to increase productivity levels and calls on the Scottish Government to renew its focus on this target. In addition, we would welcome an assessment of the success of the various approaches taken by its enterprise agencies to improve productivity.**

**14. RECOMMENDATION 14 – The Committee recognises the important contribution that the enterprise agencies and Business Gateway can make to achieving economic objectives. We wish to see them continue to work collaboratively to support new business establishment, improve survival rates and to help existing businesses grow.**

*Infrastructure and the transfer of resource to capital*

**15. RECOMMENDATION 15 – The Committee notes the Office for Budget Responsibility’s estimate of returns on investment. We recommend that given multipliers differ from project to project, the Scottish Government undertake an assessment of the fiscal multiplier for each capital project as well as a more general assessment of the net impact on employment of decisions to spend on capital projects rather than on resource.**

**16. RECOMMENDATION 16 – The Committee notes that the substantial investment by the Scottish Government in capital projects is a strategy to respond to the economic circumstances and calls on the Scottish Government to assess the impact of this capital investment on longer-term economic recovery in the context of all strategic options that were available.**

*Broadband*

**17. RECOMMENDATION 17 – The Committee welcomes the Scottish Government’s ambitious target of providing country-wide broadband by 2020. We note the substantial investment required by the private sector and the necessity for this to be secured so as not to draw unnecessarily on scarce public resources. We ask the Scottish Government to monitor the rollout programme and to provide the Committee with updates on whether it is on course to meet the 2020 targets.**

**18. RECOMMENDATION 18 - The Committee welcomes the collaborative approach taken by Highlands and Islands Enterprise and VisitScotland and would encourage other public sector agencies to engage in this way to achieve the full preventative spend and efficiency saving benefits of superfast broadband.**

**19. RECOMMENDATION 19 – The Committee asks the Scottish Government for reassurance that the rate of broadband rollout will be completed in time to enable the delivery of the efficiency saving public sector reform initiatives across the whole of the country and that no communities will be excluded.**

*Procurement*

**20. RECOMMENDATION 20 - Given the substantial amount spent on public sector procurement it is imperative that the system is efficient, effective and provides value for money. The Committee welcomes the opportunity**

provided by the proposed Procurement Reform Bill and calls on the Scottish Government to consider the extent to which it can promote the use of community benefit clauses and other social, economic and environmental objectives. This includes ensuring that small and medium sized enterprises do not face barriers that deter them from bidding for those contracts, while still respecting the legal framework provided by the European Union public procurement directives. We also ask that the Scottish Government consider how it can effectively influence revision of EU public procurement directives to more effectively promote the inclusion of community benefit clauses as evaluation criteria in the procurement process.

**21. RECOMMENDATION 21 –** The Committee notes the number of SMEs winning public sector contracts. We recommend that the Scottish Government collects data on the value of the public sector contracts that SMEs are undertaking.

*Small Business Bonus Scheme*

**22. RECOMMENDATION 22 -** The Committee welcomes<sup>1</sup> the increase in the number of businesses benefiting from the SBBS. Given the importance of obtaining value for money for all expenditure we recommend that the Scottish Government undertake an evaluation of the impact of the SBBS, as against other possible interventions, on increasing growth and employment in the small business sector and make the findings available to the Committee prior to next year's budget process.

*Non-domestic rate income*

**23. RECOMMENDATION 23 –** As the Scottish Government guarantees the combined general revenue grant and distributable non domestic rate income figure approved by Parliament to local authorities, the Committee is concerned about the potential impact of a shortfall in non-domestic rate income on the Scottish Government's budget. We also recommend that the Scottish Government keeps under review the impact of the non-domestic rates income rates increases on businesses.

*Empty property relief*

**24. RECOMMENDATION 24 -** The Committee recommends that the Scottish Government monitors the impact of the empty property relief rates increases on businesses and on the number of empty properties, particularly in town centres.

*Scottish Enterprise, Highlands and Islands Enterprise and VisitScotland*

**25. RECOMMENDATION 25 -** The Committee agrees that business start-ups and the sustainability of existing businesses are both crucial to a successful economy. It therefore considers the role of the Business Gateway service to be essential and has recently requested details of the structure and performance of each of the new Business Gateway contracts across Scotland.

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<sup>1</sup> An amendment to this paragraph was proposed. The proposal was disagreed to by division: For 2 (Rhoda Grant, Alison Johnstone), Against 6 (Chic Brodie, Mike MacKenzie, Dennis Robertson, David Torrance, Marco Biagi and Murdo Fraser).

**26. RECOMMENDATION 26 - The Committee notes the mixed picture in relation to Scotland's manufacturing export performance as well as the challenges posed by the current economic climate. We concur with Scottish Enterprise that it is important to remain ambitious in terms of increasing Scotland's exports.**

**27. RECOMMENDATION 27 - The Committee welcomes the achievements of the Enterprise Bodies in attracting research and development investment into Scotland and recognises the positive impact that this has on growth and jobs.**

**28. RECOMMENDATION 28 - The Committee recognises that the capacity to transfer funds from resource to capital provides the enterprise agencies with flexibility. It also notes that this flexibility can facilitate the earlier initiation of projects.**

**29. RECOMMENDATION 29 - The Committee notes that Highlands and Islands Enterprise has successfully sought financial support from other sources in order to ensure that its activities are not adversely affected by the transfer of resource to capital.**

**30. RECOMMENDATION 30 - The Committee recommends that VisitScotland continue to work with partners to maximise the opportunities presented by major events and asks the Scottish Government to provide information on any funds being leveraged to maximise VisitScotland's activities and to provide value for money.**

#### *Poverty*

**31. RECOMMENDATION 31 - The Committee notes the difficulties witnesses have experienced in determining the amount being spent specifically on tackling poverty and identifying outcomes. We understand that poverty issues cross portfolios and welcome the announcement that relevant Ministers are to work together on poverty measures. We recommend that the outcomes of this work be reflected in future draft budgets to assist effective scrutiny of the impact of budgetary proposals on tackling poverty.**

**32. The Committee welcomes the Scottish Government's commitment to the living wage and notes that it has introduced a 1% pay cap on the cost of increase of basic pay for staff earning between £21,000 and £80,000. The Committee asks the Scottish Government and enterprise agencies to consider how they can further promote the living wage and better employment practice more generally through their contracts. We ask the Scottish Government to report on the adequacy of funding to other public bodies, including local authorities, to enable them to provide the same objective on pay levels.**

#### *Fuel Poverty*

**33. RECOMMENDATION 32 - In the 2013-14 Draft Budget the Scottish Government's allocation to fuel poverty measures is £65 million with some witnesses suggesting that a further £135 million would have to come from**

the energy companies through the obligations set by the UK Government. In evidence the Cabinet Secretary confirmed that expenditure of £104 million would contribute towards tackling fuel poverty. The Committee is unclear to what extent this funding would be targeted exclusively on fuel poverty (as opposed to other objectives such as carbon reduction) and would welcome clarification from the Scottish Government on this.<sup>2</sup>

**34. RECOMMENDATION 33 - We recognise the challenge presented by the fuel poverty target given the wider economic background. We recommend that the Scottish Government write to the Committee confirming how it will address any shortfall should energy companies not invest sufficiently given that they have no power to compel these companies to invest this amount.**

**35. RECOMMENDATION 34 – The Committee calls on the Scottish Government to set out how progress on meeting the emissions targets in the Climate Change Act can be accelerated and to assess how both public and private sector investment can be increased to ensure that targets in the next Low Carbon Scotland document are achievable. The Committee notes the concern of witnesses and believes that it is important that the budget gives confidence that the climate change targets will be met. The Committee asks the Scottish Government to publish the updated RPP before seeking the approval of Parliament for its budget.<sup>3</sup>**

## INTRODUCTION

36. In accordance with the Budget Scrutiny process, this report scrutinises the spending proposals within the Finance, Employment and Sustainable Growth portfolio in the Scottish Government’s Draft Budget 2013-14,<sup>4</sup> which fall within the remit of the Economy, Energy and Tourism Committee (“the Committee”) and reports on them to the Finance Committee.

37. To assist with its scrutiny of the implications of the budget proposed by the Scottish Government, the Committee took oral and written evidence from a number of stakeholders. These stakeholders are listed at Annexe B.

**38. The Committee would like to thank all those who gave evidence to it during the draft budget 2013-14 process. The Committee would also like to thank Jo Armstrong, the Committee’s budget adviser, for her invaluable input during the budget scrutiny process.**

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<sup>2</sup> An amendment to this paragraph was proposed. The proposal was disagreed to by division: For 3 (Rhoda Grant, Alison Johnstone and John Park), Against 5 (Chic Brodie, Dennis Robertson, Marco Biagi, David Torrance and Mike MacKenzie), and Abstentions 1 (Murdo Fraser).

<sup>3</sup> An amendment to this paragraph was proposed. The proposal was agreed to by division: For 5 (Rhoda Grant, Alison Johnstone, Murdo Fraser, Marco Biagi and John Park), Against 4 (Chic Brodie, Dennis Robertson, David Torrance and Mike MacKenzie).

<sup>4</sup> Draft Budget 2013-14: <http://www.scotland.gov.uk/Publications/2012/09/7829>

## THE SCOPE OF THE COMMITTEE'S SCRUTINY

39. The Committee agreed to focus on three areas of inquiry--

- Whether the 2013-14 budget and the three year spending review contributes to sustainable economic growth within the next year and supports structural change in the long term?
- Whether the budget matches the plans within the Government Economic Strategy?
- Whether and how the resources allocated in the Economy, Energy and Tourism Budget line will be applied effectively to assist economic recovery and long-term growth.

40. The structure of this report reflects these three areas of inquiry. Firstly, the report considers the context for the Draft Budget. Secondly, it considers the relevance of the National Performance Framework (NPF) with specific regard to the economic growth, productivity, solidarity and sustainability purpose targets. Thirdly, it examines the impact of spending decisions in the Economy, Energy and Tourism and other relevant budget lines.

## CONTEXT

41. In presenting the Draft Budget 2013-14, the Cabinet Secretary for Finance, Employment and Sustainable Growth described it as a budget for jobs and growth. The Draft Budget 2013-14 document states that, "The Finance, Employment and Sustainable Growth (FESG) portfolio has a crucial role to play in delivering the Government's purpose of sustainable economic growth with opportunities for all of Scotland to flourish."<sup>5</sup>

42. This is the second year of the current spending review period. The Committee recognises that whilst a three-year budgetary cycle offers certainty to many budget recipients and allows effective long-term planning, it also inevitably means there are limits to the flexibility that the Scottish Government then has in the mid-year of the review period. In addition, the Committee noted the evidence from Professor Sir Donald MacKay referring to the "extremely constrained financial regime" that the Scottish Government operates within. He observed that, "The Government is given a sum of money to spend and more or less has to spend all of it, and it is not responsible for raising much of the money on its own terms."<sup>6</sup>

43. As the Committee's report on the Draft Budget 2012-13 and Spending Review recognised, the cuts in the UK Spending Review significantly reduced the Scottish budget. There was a general acknowledgement in the evidence that this was a realistic budget given the circumstances, but that more emphasis should be placed on how the budget allocations would have the greatest impact both in the short and long-term.

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<sup>5</sup> Draft Budget 2013-14: <http://www.scotland.gov.uk/Publications/2012/09/7829>

<sup>6</sup> Economy, Energy and Tourism Committee, *Official Report*, 3 October 2012, Col 1998

44. When the UK spending review was announced in 2010, there was an expectation that growth rates would have improved by this point in time, leading to an increase in jobs, a reduction in demand for benefits and a rise in tax revenues. However, growth predictions have not been met and the Scottish Government is facing the on-going challenge of high unemployment rates and is trying to stimulate the economy with the limited levers available to it. It has sought to augment its budget by raising Non Domestic Rates Income in line with the Retail Prices Index and by making use of private finance wherever possible, for example seeking to maximise local government borrowing and increasingly using the Non-Profit Distributing financing model for capital projects.

**45. RECOMMENDATION 1 - The Committee recognises the on-going economic challenges faced by the Scottish Government in terms of the need to both stimulate the economy and tackle unemployment.**

**The National Performance Framework (NPF)**

46. The Committee considered how the spending proposals in the Draft Budget 2013-14 were aligned with the economic growth, productivity, solidarity and sustainability purpose targets within the National Performance Framework.<sup>7</sup> It also considered the flexibility of the NPF targets.

47. In evidence to the Committee, a number of witnesses highlighted the difficulty in matching an economic growth budget to the NPF targets. Stephen Boyd of the Scottish Trades Union Congress (STUC) argued that it was difficult to reconcile the Cabinet Secretary's presentation of the budget as one for "the relentless pursuit of growth" with the NPF.<sup>8</sup> John Downie of the Scottish Council for Voluntary Organisations (SCVO) questioned the use of GDP as a measure of economic growth, arguing that "GDP does not mean wealth, social sustainability or environmental sustainability."<sup>9</sup>

48. There were also concerns raised about the appropriateness of comparing the economic growth of Scotland with other small countries. Not only might the target be met by Scotland doing less badly than other countries but, as John Downie of the SCVO pointed out, there could be difficulty in comparing economic growth in different countries given the differences in "how those countries are governed,

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<sup>7</sup> The latest data from Scotland Performs for the four selected purpose targets is as follows:

- Economic growth is "performance improving" on 2 measures: "To raise the GDP growth rate to the UK level by 2011" and "To match the GDP growth rate of the small independent EU countries by 2017".
- Solidarity is "performance improving" on "To increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017".
- Productivity is "performance maintaining" on "To rank in the top quartile for productivity against our key trading partners in the OECD by 2017".
- Sustainability is "performance worsening" on two measures "To reduce emissions over the period to 2011" and "To reduce emissions by 80 percent by 2050".

<http://www.scotland.gov.uk/About/Performance/scotPerforms/glanceperformance>

<sup>8</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2052

<sup>9</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2056



their culture, their democracy and how different things such as local decision making are embedded.”<sup>10</sup>

49. John Dickie of Child Poverty Action Group in Scotland emphasised the importance of the solidarity target and addressing pay inequality—

“There is no question but that the degree of pay inequality in this country is a driving force underpinning our levels of child poverty. Internationally, the countries with lower levels of child poverty also have lower levels of pay inequality.”<sup>11</sup>

50. In its written evidence to the Committee, Poverty Alliance recommended that one way to help achieve the solidarity target would be for the Scottish Government to—

“... develop its own approach to implementing a socio-economic duty ... Applying a ‘poverty proofing’ approach to Scottish Budget would help underpin the Scottish Government’s commitment to the Solidarity purpose target.”<sup>12</sup>

51. Judith Robertson of Oxfam Scotland highlighted in evidence the need for the Scottish Government to also look at the salaries of the top 30% as well as those in the bottom 30%—

“Tackling only the bottom 30 per cent leaves a big gap. If we do not have the picture of what has happened to incomes at the top as part of the process of reporting against the budget, we are not going to be able to tackle inequality effectively.”<sup>13</sup>

52. In written evidence to the Committee, SCVO highlight the value of the measurements within Oxfam Scotland’s Humankind Index, as opposed to solely measuring economic growth—

“Spending solely designed to increase economic growth can have seriously negative social, environmental and even long-term economic consequences and is a poor measure of progress when compared against measures such as Oxfam’s Humankind index.”<sup>14</sup>

53. The Committee raised the issues that emerged in evidence on the NPF targets with the Cabinet Secretary, who confirmed the importance of the NPF by outlining its purpose “to structure an assessment of how the country should progress in achieving some of the wider policy objectives on which the Government is focused.”<sup>15</sup> He also said that it provides a “picture of the overall

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<sup>10</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2056

<sup>11</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2136

<sup>12</sup> The Poverty Alliance, written submission to the Committee, page 2

<sup>13</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2138

<sup>14</sup> SCVO, written submission to the Committee, page 2

<sup>15</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2157

effect of the Government's interventions and those of other partners on the wider set of indicators."<sup>16</sup>

54. In response to the question of whether the draft budget was "poverty proofed" or not, the Cabinet Secretary told the Committee that the annual equality impact assessment fulfils this role—

"The equality impact assessment requires us to go through a process, stage by stage of the budget, in which we assess the impact of our measures on equalities. Clearly, poverty is a central part of that assessment."<sup>17</sup>

55. In terms of the sustainability target, performance is worsening on two measures, both in relation to emissions. This area is covered in detail later in the report.

**56. RECOMMENDATION 2 – The Committee notes the important role that the National Performance Framework fulfils in providing a broader measurement of performance and recommends that the Scottish Government continue to update the targets so that they remain relevant and are date specific.**

**57. RECOMMENDATION 3 – The Committee notes the evidence suggesting a need for greater alignment between the National Performance Framework targets and the budget, and calls on the Scottish Government to set out how the budgetary allocations will contribute to the purpose targets.**

**58. RECOMMENDATION 4 – The Committee recognises the importance of undertaking a range of measurements alongside GDP to determine whether the NPF target of achieving a more successful country is being achieved. We recommend that the Scottish Government adopt an approach of including the NPF measurements to determine if social, economic and environmental goals are being achieved. We would welcome the Scottish Government providing more detail in the equality statement as to the impact of the draft budget.**

### **The budget figures**

59. The discretionary element of the Scottish Government's budget is the Departmental Expenditure Limit (DEL), which will rise in cash terms by 1% in 2013-14 but fall in real terms by 1.5%. Within DEL, the resource budget falls in real terms by 1.1% and the capital budget falls in real terms by 5.8%<sup>18</sup>.

60. Within the Enterprise, Energy and Tourism budget heading, the following level 3 real terms changes are proposed:

- The Energy budget line will increase between 2012-13 and 2013-14 (£48.8m). The Government states that Energy is receiving additional

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<sup>16</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2181

<sup>17</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2186

<sup>18</sup> Spice Briefing Draft Budget 2013-14:

<http://www.scottish.parliament.uk/parliamentarybusiness/54915.aspx>

capital of £45m for renewables projects in 2013-14 through drawdown of the Fossil Fuel Levy and that it is also receiving £14.7m from a Whitehall initiative as part of the Green Deal Initiative.

- Tourism increases by £0.4m and this is influenced by budget consequential of £1.2m in 2013-14 to support the Ryder Cup golf tournament.
- The Enterprise Bodies budget decreases by £1.8m between 2012-13 and 2013-14, despite receiving an additional £2m for Forres Enterprise Park.
- The budget for Innovation and Industries decreases by £0.1m.
- The Government also proposes to make increased savings of £4.4m in real terms through the Strategic Forum between 2012-13 and 2013-14. These are to be achieved through greater collaboration and alignment between the Forum Partners (SE, HIE, VisitScotland, Skills Development Scotland and the Scottish Funding Council).

61. Outwith the Enterprise, Energy and Tourism budget heading, the Committee was also interested to see the following changes proposed in the Draft Budget:

- Youth Employability and Skills increases £18m between 2012-13 and 2013-14. The budget for Skills Development Scotland is also increasing by £6.4m. These increases are driven by an extra £16.25m for the employer recruitment initiative and the establishment of an Energy Skills Academy and an additional £6m for the implementation of Opportunities for All.
- There are decreases in the budget for the Third Sector (£0.6m) and Employability (£0.4m).
- Broadband and Pathfinder funding is decreasing by £6.7m as that project comes to an end, but the Next Generation Digital Fund to support the roll-out of next generation broadband across Scotland, is increasing by £17.4m.
- Non-domestic rates income (NDRI) is set to rise by over 7% in 2013-14 and by 9% in 2014-15.
- Several budget lines support addressing fuel poverty and energy efficiency including: Warm Homes Fund; Fuel Poverty; Domestic Energy Efficiency; Climate Change, Energy Efficiency and Policy Implementation and the Green Deal. In real terms, the total funding for these increases 16.8% from £87.1m in 2012-13 to £101.7m in 2013-14.

#### *The Strategic Forum and efficiency savings*

62. The draft budget 2013-14 includes an expectation “that all public sector bodies deliver annual efficiency savings of at least three per cent over the course of the current Spending Review period”.<sup>19</sup>

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<sup>19</sup> Draft Budget 2013-14: <http://www.scotland.gov.uk/Publications/2012/09/7829>

63. The Scottish Government proposes to make savings of £25 million through the Strategic Forum in 2013-14. These are to be achieved through greater collaboration and alignment between the five Forum Partners and will reduce their actual grant-in-aid stated in the Budget document. The enterprise agencies have indicated that the 3% public sector body savings are to be included within the £25 million and we would assume that this is the case for all the Strategic Partners.

64. The Committee heard of concerns about the amount of efficiency savings expected from the Strategic Forum. Stephen Boyd of the STUC expressed a concern that the required savings were “extremely pressing” and stated that the STUC “would be worried if those efficiency savings could not be derived from shared services and so on.”<sup>20</sup>

65. When questioned by the Committee, the enterprise agencies and VisitScotland could not provide any information on the proportion of the £25 million savings that their organisations would be required to make respectively. Iain Scott of Scottish Enterprise told the Committee that, “It is too early to tell what our share is, and we have not yet discussed any figures with regard to how the £25 million will be split up next year”.<sup>21</sup>

66. In response to a question on how the £25 million savings would be achieved, the Cabinet Secretary said that he expected the Forum Partners to “start the financial year with their assessment of how those savings will be delivered”<sup>22</sup> and that they were—

“ ... working to achieve an atmosphere of intense collaboration between those organisations that delivers a greater impact from the money that has been spent, which enables us to produce savings.”<sup>23</sup>

67. The Cabinet Secretary indicated that he thought it was achievable given the historical savings made—

“The Cabinet Secretary indicated that he thought this was achievable and used this year’s savings to date to illustrate the point, stating that “£15 million-worth of savings has been achieved, with £5 million to be determined between now and the end of the financial year”.<sup>24</sup>

**68. RECOMMENDATION 5 - The Committee is unable at this time to make an assessment as to whether the efficiency savings of £25 million to be made by the Strategic Forum partners are achievable or to assess their likely impact on service delivery. We ask the Strategic Forum partners to provide the Committee with details of the savings, and how they are calculated in cash terms, once known.**

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<sup>20</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2061

<sup>21</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2122

<sup>22</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2177

<sup>23</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2177

<sup>24</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2179

### *Preventative spend*

69. The Finance Committee invited Committees to assess the Scottish Government's progress on the preventative spending agenda within their portfolio areas and, in particular, in the implementation of the change funds.

70. In evidence to the Committee the Cabinet Secretary for Finance, Employment and Sustainable Growth indicated that preventative spend measures crossed portfolios and were not just in the change funds for elderly care, early years and reducing reoffending.

71. In response to a question on the difficulty of evaluating the impact of such measures, the Cabinet Secretary used an example relating to reducing re-offending rates to show how easily this could be done—

“I am quite sure that I could construct a model that says that, if the Government was not having the effect on reducing reoffending that it is having, the prison budget would have to be significantly higher than it is.”<sup>25</sup>

**72. RECOMMENDATION 6 – The Committee welcomes the Scottish Government's continued commitment to implementing preventative spend measures. We also encourage Scottish Enterprise, Highlands and Islands Enterprise and VisitScotland to consider how a preventative approach can be pursued in their activities.**

**73. RECOMMENDATION 7 - We ask the Scottish Government to confirm how it will evaluate the impact of preventative spend measures within the economy, energy and tourism portfolio.**

### A BUDGET FOR JOBS AND GROWTH – THE FINANCE, EMPLOYMENT AND SUSTAINABLE GROWTH PORTFOLIO

74. The Committee scrutinised the budgetary decisions within the Finance, Employment and Sustainable Growth portfolio to determine their impact on creating employment and increasing economic growth. The following part of the report considers how the budgetary decisions will tackle unemployment and underemployment and promote skills, training and apprenticeships

### **Jobs**

#### *Tackling unemployment and underemployment*

75. The most recent unemployment figures for Scotland show that unemployment has grown over the quarter, from 7.9% in March-May 2012 to 8.2% in June-August 2012. The number of people in employment has risen by 2,000 over the year from July 2011-June 2012. However, the number of full-time workers has fallen by 17,000 and the number of part-time workers has risen by 15,000. Almost one in five part-time workers (17%) are working part-time because

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<sup>25</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2084

they could not find a full-time job. So, while employment levels have risen, there remains an underemployment<sup>26</sup> challenge in Scotland.

76. In evidence, the Committee also heard that underemployment is growing in Scotland. Stephen Boyd of the STUC told the Committee “underemployment has risen to a level at which more than 240,000 people in Scotland identify themselves as being underemployed, which means that they cannot get enough hours in their job to allow them to make ends meet.”<sup>27</sup>

77. The Scottish Government has stated that one of its priorities is to take direct action to tackle youth unemployment levels. It has allocated an additional £30 million to support youth employment over the three-year period to 2014-15. It has also provided £6m funding for the initiative *Opportunities for All* which provides a guaranteed offer of a place in education or training for every 16 to 19-year-old in Scotland.

78. The Employer Recruitment Initiative to create up to 10,000 opportunities for small and medium-sized enterprises (SMEs) to recruit young people was welcomed by CBI Scotland, which highlighted in its written evidence that this was a positive response to businesses requesting an investment in incentive payments to encourage firms to take up skills and apprenticeship schemes. It states that, “The Employer Recruitment Initiative is therefore a positive response, though we note that its value for small firms appears to have reduced to £1,500 from up to £2,000 previously.”<sup>28</sup>

79. Colin Borland of the Federation of Small Businesses (FSB) welcomed the “proposals aimed at helping businesses grow, whether through infrastructure investment or recruiting more staff”, but warned that “the extent to which these measures will work effectively for Scotland’s small business will depend on how the spending is delivered.”<sup>29</sup> He argued for a “greater emphasis on employment measures as part of a business growth approach”—

“Specifically, we think more flexible funding solutions will help support jobs growth in small businesses... locally-developed solutions, which take account of business priorities/labour demands and direct engagement with local businesses, may be more successful at creating sustainable employment in local small businesses than national schemes.”<sup>30</sup>

80. The Committee also heard of the need to create sustainable and well paid employment. In its written evidence to the Committee, the Child Poverty Action Group in Scotland (CPAG) said—

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<sup>26</sup> *Visible underemployment refers to persons who are in employment of less than normal duration and who are seeking or would accept additional work and Invisible underemployment characterised by “low income, underutilisation of skill, low productivity”.*

<http://www.ilo.org/global/statistics-and-databases/statistics-overview-and-topics/underemployment/history/lang--en/index.htm>

<sup>27</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2036

<sup>28</sup> CBI Scotland, written evidence to the Committee, page 5

<sup>29</sup> Federation of Small Business, written submission to the Committee, page 1

<sup>30</sup> Federation of Small Business, written submission to the Committee, page 2

“ ... specific consideration should be given to ensuring resources spent on enterprise support activity are used to promote the creation and sustainment of jobs that are decently paid, flexible to the caring responsibilities of parents and which are accessible to those facing additional barriers such as disability.”<sup>31</sup>

81. When questioned by the Committee on the issue of ensuring that quality jobs were created with enterprise agency funding to businesses, the enterprise agencies confirmed their support for the living wage. In addition, Alex Paterson of HIE told the Committee of the steps it takes to get the most out of investors when negotiating contracts—

“We pay out the grants only when the jobs are created, so that assurance exists ... Although a whole package of things goes towards the decision-making process, we certainly tie offers to delivery by companies of what they say they will deliver.”<sup>32</sup>

82. In relation to female employment, the Committee noted that there remains a lack of women in the energy sector and other traditionally male dominated sectors such as engineering. Stephen Boyd of the STUC told the Committee that—

“Too many of our industrial sectors are pretty much closed shops towards women ... Currently, about 80 per cent of the women who train in those [science, technology, engineering and maths] subjects do not go on to pursue careers in them. That is a major concern, particularly when some sectors that tell us they have a skills shortage, such as the energy sector, are the sectors in which women are most underrepresented.”<sup>33</sup>

83. The Committee heard from Judith Robertson of Oxfam Scotland “that most low-paid workers in Scotland are women” and highlighted the disproportionate effect that this had on child poverty—

“Women’s earnings have the greatest impact on children and child poverty, because they are spent most in families. Increasing incomes at the bottom—particularly those of women—has a much stronger distributive effect than any other practice.”<sup>34</sup>

84. The Committee heard that the enterprise agencies are trying to tackle the under-representation of women in the energy sector. Lena Wilson of Scottish Enterprise told the Committee that—

“It is not just about engineering but about aligning our young people with the opportunities in the economy. I will certainly trailblaze that as much as I can. Scottish Engineering, the women in technology network and other networks

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<sup>31</sup> Child Poverty Action Group in Scotland (CPAG), written evidence to the Committee, page 4

<sup>32</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2117

<sup>33</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2057-58

<sup>34</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2137

also have a strong role to play. I suggest that we must also educate our teachers as much as possible about the opportunities.”<sup>35</sup>

85. In evidence to the Committee the Cabinet Secretary for Finance, Employment and Sustainable Growth agreed that there remains a challenge of gender balance in some industries and that a strategy had emerged from the recent women’s employment summit—, which had—

“... a particular focus on identifying interventions that would begin to rebalance gender segregation in key skills in the economy. The careerwise initiative that emerged from that summit is the first step in what I acknowledge will be a long haul to change particular industries.”<sup>36</sup>

**86. RECOMMENDATION 8 – The Committee welcomes the steps taken by the Scottish Government to allocate additional funding to support youth employment. It considers that this will help to provide opportunities for young people to gain employment experience and develop their skills. The Committee asks the Scottish Government to assess the impact of this investment and current college funding on the creation of sustainable employment.**

**87. RECOMMENDATION 9 - The Committee is concerned at the number of underemployed people and the impact that this has on living standards and skills development. We ask the Scottish Government to gather evidence on any trend with a view to considering how this problem could be addressed.**

**88. RECOMMENDATION 10 – The Committee is concerned by the higher levels of female unemployment and by the continuing preponderance of men in certain sectors, such as the energy sector. We recognise that there is already on-going work in this area and ask the Scottish Government to consider how the number of women working in these sectors can be increased. We also ask the Scottish Government to consider how it can address the higher levels of women in low paid employment and its consequent impact on child poverty.**

*Skills, training and apprenticeships*

89. In addition to the skills training funding which supports the youth recruitment initiative for SMEs, the Scottish Government has established the Energy Skills Academy to support the creation of skills in the oil and gas, renewables, thermal generation and carbon capture and storage industries. The budget for Skills Development Scotland is also increasing by £6.4m.

90. The Energy Skills Academy was widely welcomed, with witnesses acknowledging the importance of these skills if Scotland is to move to and benefit from a low carbon economy.

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<sup>35</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2102

<sup>36</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2161



91. The Committee heard of the importance of upskilling, on-the-job training and providing adequate support to all businesses. Dr Jim McCormick of the Joseph Rowntree Federation, highlighted the importance of upskilling the workforce—

“ ... the evidence suggests that we need to make the most of where the job growth is coming from and upskill as far as we can within the known limits. Productivity and return on investment can come from those kinds of jobs ... There is a stark and persistent gap in access to on-the-job training as distinct from pre-employment training.”<sup>37</sup>

92. The Scottish Government’s commitment to supporting 25,000 Modern Apprenticeship opportunities in each year of the current Parliament, with the majority targeted at young people, was welcomed in evidence. However, in oral evidence to the Committee, John Downie of SCVO said that the apprenticeships strategy needed to be “more nuanced” to target those most in need—

“We focus on modern apprenticeships, but they are quite hard to get. Many people in our most vulnerable and poorest communities need to go on a jobs journey to get to the stage at which they are ready to get a modern apprenticeship.”<sup>38</sup>

93. Colin Borland of FSB, told the Committee that to capitalise on the potential of small business, Skills Development Scotland should provide employer services that take into account their specific needs—

“I need an easy resource that I can go to, and one that fits in with my business, because the sort of jobs that are created in many small businesses do not fit neatly into a particular employment category.”<sup>39</sup>

94. In evidence to the Committee, the Cabinet Secretary said that the Scottish Government is to spend “in excess of £2 billion on skills ... we have a strong budget allocation that supports the development of skills”.<sup>40</sup>

95. The Cabinet Secretary also acknowledged that he frequently heard from the business community that there was a shortage of skills, particularly in the oil and gas sector. He also explained the work that the Scottish Government was conducting with the industry leadership group to combat skills shortages—

“I have asked those groups to give us hard data on where the skills shortages exist, which we can use in our dialogue with the funding council and other organisations to ensure that the £2 billion is spent on meeting the needs of today and tomorrow”.<sup>41</sup>

**96. RECOMMENDATION 11 – The Committee welcomes the significant proposed investment in skills and training from a range of sources, particularly for young people. It notes the concerns raised by the business**

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<sup>37</sup> Economy, Energy and Tourism Committee, *Official Report*, 3 October 2012, Col 1999 and 2019

<sup>38</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2059-60

<sup>39</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2059

<sup>40</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2159

<sup>41</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2159

sector and asks the Scottish Government to ensure that these resources are directed at tackling the skills gaps identified.

**97. RECOMMENDATION 12 – The Committee is concerned that, despite current high levels of unemployment, there still appears to be skills shortages in certain sectors. It believes that this reflects a disconnect in supply and demand in the employment market. We welcome the Cabinet Secretary’s commitment to working with the industry leadership groups and ask the Scottish Government to provide data on skills shortages once available and reassurance on how these will be addressed.**

#### *Productivity*

98. Productivity has risen by only 5% in the last ten years and Scotland remains in the third quartile of the OECD ranking at 17<sup>th</sup> out of 32 countries. Stephen Boyd of the STUC informed the Committee that the size of the output gap at the UK level was currently about 13 per cent and that Scotland was not close “to achieving pre-recession levels of output, and we are nowhere near to attaining those levels in relation to manufacturing and exports.”<sup>42</sup>

99. Evidence to the Committee from the enterprise agencies stressed the importance of innovation and partnership to improving productivity. Scottish Enterprise stated—

“Innovation within companies and the commercialisation of academic research are key drivers of productivity and competitiveness. An integrated approach to innovation and commercialisation requires a close partnership between Scottish Enterprise, Highlands and Islands Enterprise, the Scottish Funding Council, and universities.”<sup>43</sup>

100. Highland and Islands Enterprise also highlighted the contribution that inward investment could make to improving productivity. It argued that, “Through targeted marketing activity with SDI, we will lever these economic advantages to attract high value mobile investment and as a result, grow employment, productivity and GVA.”<sup>44</sup>

101. In response to a question on the slow progress in relation to the productivity purpose target, the Cabinet Secretary acknowledged that were challenges in a number of areas, but increasing productivity was essential—

“Of course, productivity will be an essential part of some of the interventions that are made by our enterprise companies ... and I would look to that to continue.”<sup>45</sup>

**102. RECOMMENDATION 13 – The Committee is aware of the need to increase productivity levels and calls on the Scottish Government to renew its focus on this target. In addition, we would welcome an assessment of the**

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<sup>42</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2036

<sup>43</sup> Scottish Enterprise, written submission to the Committee, page 5

<sup>44</sup> Highlands and Islands Enterprise, written submission to the Committee, page 10

<sup>45</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2165

**success of the various approaches taken by its enterprise agencies to improve productivity.**

## **Growth**

103. In the first quarter of 2012, both the UK and Scottish economies went back into recession, largely driven by contraction in the construction industry. GDP continued to contract in both economies in the second quarter, but figures for the third quarter of 2012 show the UK experiencing a 1% expansion in GDP and thus exiting recession.

104. Whether or not Scotland will follow suit will not be known until third quarter figures are released in January 2013. However, in their latest economic commentary, the Fraser of Allander Institute commented on the GDP growth at the UK level, saying: “We consider this to be an 'Olympics bounce' which is unlikely to affect Scotland to the same extent”. It went on to say, “Positive Scottish retail sales figures for the third quarter need to be set against the reports of several business surveys which depict growth as largely stagnating with household spending depressed and business confidence weak”.<sup>46</sup>

105. Given the Scottish Government’s overall budget constraints, and the continued challenges on economic growth, the Committee heard concerns about the enterprise budget not being protected. In oral evidence to the Committee John Downie of SCVO highlighted the fact that the health budget had been protected in a way that the enterprise budget had not—

“Given the headline figures—£9 million on enterprise and £263 million on health—it does not look particularly like a budget for growth and enterprise ... the key is how we create more jobs in the economy.”<sup>47</sup>

106. The Committee heard from the enterprise agencies that growth remained their priority and that account-managed growth companies had helped to create employment in Scotland. In oral evidence to the Committee Lena Wilson of Scottish Enterprise, confirmed that the agency has “relentless focus on growth and prioritisation of our investments”<sup>48</sup> and highlighted the impact of that focus—

“Given the headline figures—£9 million on enterprise and £263 million on health—it does not look particularly like a budget for growth and enterprise ... the key is how we create more jobs in the economy.”<sup>49</sup>

107. The Committee heard from the enterprise agencies that growth remained their priority and that account-managed growth companies had helped to create employment. In oral evidence to the Committee Lena Wilson of Scottish

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<sup>46</sup> Source: Fraser of Allander Institute Economic Commentary November 2012 - <http://www.strath.ac.uk/media/departments/economics/fairse/Latest-Fraser-of-Allander-Economic-Commentary.pdf>

<sup>47</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2037

<sup>48</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2089-90

<sup>49</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2037

Enterprise, confirmed that the agency has “relentless focus on growth and prioritisation of our investments”<sup>50</sup> and highlighted the impact of that focus—

“Sixty-seven per cent of the companies that we work with increased their turnover. That is really important, because those are the companies that are most likely to create jobs. Fifty per cent of the companies increased their profitability and, importantly, 44 per cent increased their employment. Those growth companies are very important as a source of jobs and growth.”<sup>51</sup>

108. In oral evidence to the Committee, Alex Paterson of HIE also emphasised the importance of sustainable growth and outlined HIE’s work with companies with future growth potential—

“Although we have a strong and unrelenting focus on growth, we realise that for some companies growth will not come now. We are therefore working with businesses to ensure that they are sustainable and robust so that when growth opportunities come, they are in a good position to take them.”<sup>52</sup>

109. The Cabinet Secretary confirmed to the Committee that he is satisfied that there is a cohesive pipeline of business development and business growth and outlined the role that Business Gateway was required to play —

“ ... business gateway must also be able to identify the companies with growth potential and to flag them up to HIE and Scottish Enterprise to be considered for more intensive support through the account-managed system.”<sup>53</sup>

110. In response to a question on how the enterprise agencies can effectively contribute to growth, given the real-terms cuts to their budgets, the Cabinet Secretary indicated that their budgets were “broadly comparable” and that he thought that “the level of funding that they have enables them to contribute significantly to economic recovery”.<sup>54</sup>

**111. RECOMMENDATION 14 – The Committee recognises the important contribution that the enterprise agencies and Business Gateway can make to achieving economic objectives. We wish to see them continue to work collaboratively to support new business establishment, improve survival rates and to help existing businesses grow.**

*Infrastructure and the transfer of resource budget to capital budget*

112. Of the £243m which the Scottish Government proposes will be added to capital budgets through switching from the resource budget, there is a planned transfer of £70m within the enterprise bodies budget line. The enterprise agencies have always had the flexibility and discretion to transfer funds between these budget headings. Despite the proposed transfers, capital spend by the agencies is

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<sup>50</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2089-90

<sup>51</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2097-98

<sup>52</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2097

<sup>53</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2161-62

<sup>54</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2171

forecast to fall in 2013-14 because the transfers do not match the reduced capital funding from the Scottish Government.

113. The Scottish Government believes that improving Scotland's physical infrastructure will bring immediate benefits to the Scottish economy by supporting employment in the construction sector and its supply chains.

114. The Cabinet Secretary for Finance, Employment and Sustainable Growth told the Committee that the shift to capital spend was a short-term measure in part to assist the hard hit construction sector by focussing "on enhancing the capital programme".<sup>55</sup> He explained that he had hoped that economic recovery would reduce the requirement for Government investment, but that economic conditions had undermined recovery in the construction sector and that the Government therefore needed to continue its focus on capital investment —

"My expectation was that, by 2011, the private sector construction market would have improved enormously ... and we could then pull back our support for public sector construction activity and repair the public finances. It has not worked out like that, of course."<sup>56</sup>

115. The Committee heard a range of views from witnesses on the impact of the proposed capital spend. David Lonsdale of CBI Scotland told the Committee that it supported the transfer as it has long-term benefits for the economy—

"In the long term, it also benefits the economy and improves our economic potential by moving forward to invest in transport infrastructure, broadband and other forms of communications infrastructure. We believe that the Government is doing a positive thing."<sup>57</sup>

116. Other witnesses told the Committee that the procurement process undertaken on capital projects would be key to providing short-term economic gains. In oral evidence to the Committee, Colin Borland of the FSB said, "...if the name of the game is short-term economic stimulus, we must ensure that we get as big a bang for our buck as possible from that money, ... and that means looking carefully at how we procure and spend money on those projects."<sup>58</sup>

117. The Committee also heard that the benefits to employment of increasing capital spend were unknown and that an analysis of the impact was required. Stephen Boyd of the STUC did not consider that "anyone has the necessary information to make a proper judgment on whether the net jobs impact of the moves over the past couple of years has been beneficial to the Scottish economy."<sup>59</sup>

118. In oral evidence to the Committee, Professor Richard Kerley of Queen Margaret University indicated that in the short-term he favoured low-intensity

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<sup>55</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2171-72

<sup>56</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2171-72

<sup>57</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2038

<sup>58</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2040

<sup>59</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2039

capital investment and questioned how “shovel-ready” projects are selected and defined—

“I am not quite clear what Governments throughout the UK mean by the term “shovel-ready projects”. Shovel-ready projects are rarely the big-ticket items that chancellors and cabinet secretaries like to open.”<sup>60</sup>

119. The Scottish Futures Trust (SFT) was established in 2008 with the central aim of helping the Scottish Government achieve better value for money from public infrastructure investment in Scotland.<sup>61</sup> It is anticipated that the SFT will assist with the leverage of private finance to provide a £2.5 billion programme of investment. In evidence to the Committee the Cabinet Secretary acknowledge that the Non-Profit Distributing (NPD) pipeline of infrastructure projects had taken time to be implemented, due to reductions in UK capital expenditure, but highlighted the substantial amounts to be invested over the next 3 years—

“...we will spend £20 million in 2012-13, £338 million in 2013-14, and £973 million in 2014-15. I acknowledge that the process takes time, but the alternative would have been for those projects not to have taken their course because of the reductions in capital expenditure that the UK Government proposed.”<sup>62</sup>

120. In response to a proposal to prioritise maintenance over new capital projects the Cabinet Secretary agreed, listing the Scottish Government’s priorities as—

“I had to revisit all the capital commitments that had been made and establish some priority in them. We said that a number of projects have strategic national significance: the investment in the Forth replacement crossing; the investment in the south Glasgow hospital; the school building programme; the local government capital budget ... and the investment in Scottish Water.”<sup>63</sup>

121. The Cabinet Secretary told the Committee that capital investment provides a greater return than resource investment—

“The Office for Budget Responsibility has estimated that current resource spending has a fiscal multiplier of 0.6, whereas capital spending has a fiscal multiplier of 1. From that, I take it that there is a differential and beneficial impact from capital investment.”<sup>64</sup>

**122. RECOMMENDATION 15 – The Committee notes the Office for Budget Responsibility’s estimate of returns on investment. We recommend that given multipliers differ from project to project, the Scottish Government undertake an assessment of the fiscal multiplier for each capital project as**

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<sup>60</sup> Economy, Energy and Tourism Committee, Official Report, 24 October 2012, Col 2000

<sup>61</sup> Scottish Government, [Scottish Spending Review 2011 and Draft Budget 2012-13](#), September 2011, page 31.

<sup>62</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2170

<sup>63</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2167

<sup>64</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2166

well as a more general assessment of the net impact on employment of decisions to spend on capital projects rather than on resource.

**123. RECOMMENDATION 16 – The Committee notes that the substantial investment by the Scottish Government in capital projects is a strategy to respond to the economic circumstances and calls on the Scottish Government to assess the impact of this capital investment on longer-term economic recovery in the context of all strategic options that were available.**

#### *Broadband*

124. The Scottish Government has stated its commitment to delivering world class, future-proofed digital infrastructure across the whole of Scotland by 2020 with a step-change in broadband speeds by 2015.<sup>65</sup> It has allocated £240 million to support the delivery of next generation broadband infrastructure in Scotland.

125. The Committee heard from David Lonsdale of CBI Scotland that this investment has long-term benefits for the economy—

“In the long term, it also benefits the economy and improves our economic potential by moving forward to invest in transport infrastructure, broadband and other forms of communications infrastructure.”<sup>66</sup>

126. The £240m investment from the Scottish Government and others was widely welcomed as a significant step forwards, but the Committee heard that future public and private sector funds would be required. Alex Paterson of HIE said—

“From a Highlands and Islands point of view, we have a commitment from the Government for £120 million to support the roll-out of superfast broadband, and we are about to conclude a competitive dialogue procurement process on that ... More will be required in the future—not just from public funds, but from elsewhere, such as from Europe and from investment by telecoms companies.”<sup>67</sup>

127. Alex Paterson of HIE told the Committee that HIE and VisitScotland had been working together to prepare for superfast broadband—

“Business services are growing, home working is growing and tourism is critical. All those are underpinned by good connectivity. The chief executive of VisitScotland, Malcolm Roughead, and some of his senior team recently met my senior team to discuss a number of areas on which we can work together, and that is one of them.”<sup>68</sup>

128. In oral evidence to the Committee the Cabinet Secretary highlighted the “substantial amount of private sector investment” involved and the role of the Scottish Government in providing investment for economically unsustainable areas—

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<sup>65</sup> Scottish Government: Digital Scotland: <http://www.scotland.gov.uk/Topics/Economy/digital>

<sup>66</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2038

<sup>67</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2100

<sup>68</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2121

“The Government’s approach has been to acknowledge that in parts of the country it will be economically unsustainable for private sector companies to take forward broadband enablement without public sector investment. Consequently, the Government has stepped in with investment resources to enable that work to take place.”<sup>69</sup>

129. The Cabinet Secretary went on to explain that “There will be some instances in which fulfilling people’s expectations will be a challenge”, due to technical rather than monetary issues, but he expected these to be overcome.

**130. RECOMMENDATION 17 – The Committee welcomes the Scottish Government’s ambitious target of providing country-wide broadband by 2020. We note the substantial investment required by the private sector and the necessity for this to be secured so as not to draw unnecessarily on scarce public resources. We ask the Scottish Government to monitor the rollout programme and to provide the Committee with updates on whether it is on course to meet the 2020 targets.**

**131. RECOMMENDATION 18 - The Committee welcomes the collaborative approach taken by Highlands and Islands Enterprise and VisitScotland and would encourage other public sector agencies to engage in this way to achieve the full preventative spend and efficiency saving benefits of superfast broadband.**

**132. RECOMMENDATION 19 – The Committee asks the Scottish Government for reassurance that the rate of broadband rollout will be completed in time to enable the delivery of the efficiency saving public sector reform initiatives across the whole of the country and that no communities will be excluded.**

#### *Procurement*

133. The Scottish Government spend about £9 billion each year on public procurement to help support sustainable economic growth, aid economic recovery and contribute to many of the Scottish Government’s strategic priorities. It is to introduce its Procurement Reform Bill shortly setting out how it will maximise the contribution of public procurement to the economy.

134. The Committee heard that the proposed procurement legislation was a welcome measure but that more could be done in terms of social impact. John Downie of SCVO told the Committee—

“At present, procurement is not delivering the outcomes that we want. We are not using community benefit clauses or considering social impact as effectively as we could. Europe has a much wider definition of social impact, which is about protecting jobs and investing in local communities.”<sup>70</sup>

135. In oral evidence to the Committee Stephen Boyd of the STUC suggested that the revision of the European Union public procurement directives might assist. He

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<sup>69</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2174

<sup>70</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2042



observed that "...there is a new European directive that might provide more scope for introducing these kinds of measures into public procurement."<sup>71</sup>

136. In written evidence to the Committee, Transform Scotland asserted that large capital infrastructure projects have not benefited the Scottish construction industry, for example—

"We note that none of the four companies that comprise the consortium for construction of the unnecessary and unsustainable 'Forth Replacement Crossing' project — Scotland's largest construction project — are headquartered in Scotland."<sup>72</sup>

137. In answer to a question on the proportion public sector spend going to small businesses, the Cabinet Secretary indicated that "Of the businesses winning contracts through public contracts Scotland in the past financial year, 79 per cent were registered as small and medium-sized enterprises"<sup>73</sup>. In a written response to the Committee the Cabinet Secretary indicated that, "We don't know the total actual value of contracts" but that the Scottish Procurement Information Hub provided data on overall public procurement spend, of which there was "a total of 46% for SMEs."<sup>74</sup>

138. The Cabinet Secretary indicated that more could be done to include community benefit clauses and the living wage in public sector contracts, and highlighted that the Scottish Government is leading by example in paying the living wage, but that it has no power to "set a condition to make it mandatory for the living wage to apply to contractors."<sup>75</sup>

**139. RECOMMENDATION 20 - Given the substantial amount spent on public sector procurement it is imperative that the system is efficient, effective and provides value for money. The Committee welcomes the opportunity provided by the proposed Procurement Reform Bill and calls on the Scottish Government to consider the extent to which it can promote the use of community benefit clauses and other social, economic and environmental objectives. This includes ensuring that small and medium sized enterprises do not face barriers that deter them from bidding for those contracts, while still respecting the legal framework provided by the European Union public procurement directives. We also ask that the Scottish Government consider how it can effectively influence revision of EU public procurement directives to more effectively promote the inclusion of community benefit clauses as evaluation criteria in the procurement process.**

**140. RECOMMENDATION 21 – The Committee notes the number of SMEs winning public sector contracts. We recommend that the Scottish Government collects data on the value of the public sector contracts that SMEs are undertaking.**

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<sup>71</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2044

<sup>72</sup> Transform Scotland, written evidence to the Committee, page 2

<sup>73</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2182

<sup>74</sup> Letter from the Cabinet Secretary for Finance, Employment and Sustainable Growth, 13 November 2012

<sup>75</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2188

## Impact of the budget on businesses

141. The draft budget includes both rates relief and increased tax measures for businesses. The Committee heard evidence about the impact of these spending proposals on investment, business confidence and growth.

### *Small Business Bonus Scheme (SBBS)*

142. The Scottish Government is continuing with the provision of the SBBS, which provides small businesses with either a rate reduction or the requirement to pay no rates at all depending on the rateable value of the business. It provides financial support to over 85,000 business properties in Scotland.

143. During its budget scrutiny last year the Committee heard contradictory evidence on the relative effectiveness of the SBBS. It recommended the continuation of the SBBS, but also asked the Scottish Government to “undertake an evaluation of its overall economic benefit in order to shape future thinking and decision-making.”<sup>76</sup>

144. In its evidence-taking this year the Committee heard similarly strong arguments both for and against the continuation of the SBBS and on its impact to date. In oral evidence to the Committee, Colin Borland of the FSB said—

“We know that the small business bonus scheme has helped one business in eight to remain in existence during the difficult economic period. If there are 80,000-odd recipients of the bonus, that equates to 10,000 businesses. If they employ one full-time and one part-time member of staff each, that is an awful lot of jobs that have been safeguarded in the Scottish economy.”<sup>77</sup>

145. Stephen Boyd of the STUC was less convinced by the value of the scheme and told the Committee that the SBBS had not achieved its purpose of stimulating growth, employment and innovation and that an analysis of its impact is required. He argues that—

“...since the scheme was introduced, Scottish small businesses have underperformed in terms of the number of businesses, turnover and the number of employees. I emphasise that that dataset does not tell the whole story. We were hampered by the Scottish Government’s refusal to collect decent information on the scheme.”<sup>78</sup>

146. The Cabinet Secretary for Finance, Employment and Sustainable Growth highlighted the importance of the SBBS in the current economic climate and indicated that there had been an “increase of 4,000”<sup>79</sup> businesses who had their rates reduced or removed—

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<sup>76</sup> Economy, Energy and Tourism Committee, budget report 2012-13, Page 13.

<sup>77</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2037

<sup>78</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2047

<sup>79</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2180

“The system has delivered substantive continuity to the small business community, given the economic difficulties that have been experienced.”<sup>80</sup>

**147. RECOMMENDATION 22 - The Committee welcomes<sup>81</sup> the increase in the number of businesses benefiting from the SBBS. Given the importance of obtaining value for money for all expenditure we recommend that the Scottish Government undertake an evaluation of the impact of the SBBS, as against other possible interventions, on increasing growth and employment in the small business sector and make the findings available to the Committee prior to next year’s budget process.**

*Non-domestic rate income*

148. The forecast receipts from non-domestic rates are increasing by 5% in real terms between 2012-13 and 2013-14. Concerns about the forecast figures were expressed by a number of witnesses, whilst here was overwhelming support from business organisations for maintaining poundage rate parity with England.

149. David Lonsdale of CBI Scotland thought the Scottish Government’s forecast was optimistic, stating that, “The forecasts for revenues over the next few years look pretty optimistic given what we know about the state of the economy and about future economic forecasts.”<sup>82</sup> Stephen Boyd of the STUC agreed, pointing out that, “It is difficult to see where the growth in business activity will come from that would lead to a concomitant rise in rates revenue.”<sup>83</sup>

150. In its written submission to the Committee the Scottish Retail Consortium (SRC) stated that given that Scottish retail performance continues to lag behind the UK, extra costs would negatively impact on the sector and called for non-domestic rates to be frozen—

“... the SRC has written to the Cabinet Secretary for Finance to urge him to freeze non-domestic rates (NDR) for Scottish businesses in 2013 ... Given that retailers already pay 28 per cent of all business rates another increase will clearly have a disproportionate impact on the sector.”<sup>84</sup>

151. In its written submission to the Committee, the Scottish Chambers of Commerce (SCC) expressed concern about the increased financial burden placed on businesses by an increase non-domestic rates—

“Whilst we welcome the package of reliefs that are available to many Scottish businesses to mitigate the impact of business rates, the fact that such significant increases in non-domestic rates revenue are expected

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<sup>80</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2180

<sup>81</sup> An amendment to this paragraph was proposed. The proposal was disagreed to by division: For 2 (Rhoda Grant, Alison Johnstone), Against 6 (Chic Brodie, Mike MacKenzie, Dennis Robertson, David Torrance, Marco Biagi and Murdo Fraser).

<sup>82</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2049

<sup>83</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2049

<sup>84</sup> Scottish Retail Consortium, written evidence to the Committee, page 1

means that these reliefs are outweighed by the additional financial burdens being placed on Scottish business.”<sup>85</sup>

152. In response to a question on the impact of increased business rates the Cabinet Secretary for Finance, Employment and Sustainable Growth indicated that rates were comparable with the rest of the UK—

“A substantial part of the increase in the level of business rate income comes from the application of an inflation indicator, which is the retail prices index for September. The figures for the growth of business rate income in Scotland and the figures for what is expected in the rest of the United Kingdom are broadly comparable.”<sup>86</sup>

**153. RECOMMENDATION 23 – As the Scottish Government guarantees the combined general revenue grant and distributable non domestic rate income figure approved by Parliament to local authorities, the Committee is concerned about the potential impact of a shortfall in non-domestic rate income on the Scottish Government’s budget. We also recommend that the Scottish Government keeps under review the impact of the non-domestic rates income rates increases on businesses.**

*Empty property relief*

154. The purpose of the Scottish Government’s empty property relief is to provide an incentive to bring empty properties back into use, by removing the 50% discount on business rates for vacant premises.

155. In its written submission to the Committee, CBI Scotland expressed its disappointment with the loss of the 50% discount and highlighted the negative impact it could have on investment and long-term economic growth. It stated that “the decision to increase the tax paid by firms with empty commercial premises to the tune of £36 million over the next two years (commencing in 2013-14) is ... unwelcome, and sits ill at ease with the Budget’s wish to “encourage private sector investment.”<sup>87</sup>

156. In its written evidence, the SCC raised concerns about the impact of the empty property relief tax—

“We remain extremely concerned that the Scottish Government may damage the ability of business to grow and compete by proceeding with its plans to reduce the value of Empty Property Relief, hindering the capacity for investment in the regeneration of our town centres and thereby delivering the opposite result to the intention of the policy.”<sup>88</sup>

**157. RECOMMENDATION 24 - The Committee recommends that the Scottish Government monitors the impact of the empty property relief rates increases**

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<sup>85</sup> Scottish Chambers of Commerce, written submission to the Committee, page 2

<sup>86</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2179

<sup>87</sup> Scottish Draft Budget 2013-14, page vii and CBI Scotland, written submission to the Committee, page 4

<sup>88</sup> Scottish Chambers of Commerce, written evidence to the Committee, page 2

**on businesses and on the number of empty properties, particularly in town centres.**

*Scottish Enterprise, Highlands and Islands Enterprise and VisitScotland*

158. The Scottish Government's draft budget 2013-14 states that, "The Enterprise budget is focused on supporting growth companies, growth sectors and growth markets."<sup>89</sup> The Enterprise Bodies budget funds Scottish Enterprise and Highlands and Islands Enterprise (HIE). "In cash terms the budget increases from £322m in 2012-13 to £328.2m in 2013-14, although this represents a real terms decrease of £1.8m".<sup>90</sup> The Committee considered whether the enterprise agencies were constrained by reducing operating budgets in achieving their objectives.

*Economic growth/support for business*

159. The Draft Budget 2012-13 describes the role of the enterprise agencies as being focussed on developing those sectors in which Scotland has a comparative advantage, as well as supporting businesses expanding into new markets. Helping companies invest in innovation and commercialise research, provide finance through the Scottish Investment Bank and supporting companies to develop their leadership and workforce.

160. The Committee heard of the importance of support for business in order to promote economic growth. Dr Jim McCormick of the Joseph Rowntree Foundation argued that to make a short-term economic difference it was necessary "to consider ways of incentivising businesses" and focus on the "birth rate of new businesses."<sup>91</sup> Colin Borland of the FSB placed the emphasis on the sustainability of businesses, arguing that "for many people survival is number 1 priority."<sup>92</sup>

**161. RECOMMENDATION 25 - The Committee agrees that business start-ups and the sustainability of existing businesses are both crucial to a successful economy. It therefore considers the role of the Business Gateway service to be essential and has recently requested details of the structure and performance of each of the new Business Gateway contracts across Scotland.**

*Exports and Inward investment*

162. The Scottish Government's target to increase the value of Scotland's exports 50% by 2017. The latest [Scottish Government](#) figures show that while Scottish manufactured export sales increased 1.7% in real terms over the year, they fell by 4% during the second quarter of 2012. Lena Wilson of Scottish Enterprise said—

"Hand on heart, I do not know whether we will hit the 50 per cent target, but it is certainly worth going for. The target should be as ambitious as possible. The early signs from the past year are pretty positive, but progress will take the shape of a hockey stick—it will ramp up. It will not be the case that next year everyone will become an exporter; it is tougher than that."<sup>93</sup>

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<sup>89</sup> Draft Budget 2013-14: <http://www.scotland.gov.uk/Publications/2012/09/7829/2> p.45.

<sup>90</sup> SPICe briefing paper.

<sup>91</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2046

<sup>92</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2046

<sup>93</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2105

163. In evidence to the Committee the Cabinet Secretary for Finance, Employment and Sustainable Growth highlighted the challenge of exporting within the euro zone in the current economic climate—

“There is a prevailing lack of economic confidence in the euro zone and, as it accounts for 45 per cent of our export activity, we cannot in any way be immune from that lack of confidence.”<sup>94</sup>

164. The enterprise agencies provided evidence of the many success stories in terms of inward investment over the past year, especially within the energy sector. Scottish Enterprise indicated that it had attracted over £200m of inward investment and HIE provided evidence on the jobs that had been created as a result of inward investment.

165. In response to questioning by the Committee, Alex Paterson of HIE explained that there were conditions attached to ensure businesses remained which had benefited from investment remained. He stated that, “Any award that we make to a business has a number of conditions attached to it and it must use the funds for the purpose for which they were awarded.”<sup>95</sup>

166. Lena Wilson of Scottish Enterprise confirmed that it also took this approach. She also highlighted the success of Scotland in attracting long-term investment in comparison to other areas of the UK—

“The most interesting factor in all that is that Scotland tops the UK, in getting approximately 20 per cent of all the R and D investment that comes to the UK. We are punching above our weight to a factor of double our population share. Our whole strategy is now predicated on Scotland’s natural assets, fantastic scientific capability, talented people and business infrastructure and supply chain. That minimises the chance of any investor coming in to take advantage of a low-cost location and then simply leaving again.”<sup>96</sup>

**167. RECOMMENDATION 26 - The Committee notes the mixed picture in relation to Scotland’s manufacturing export performance as well as the challenges posed by the current economic climate. We concur with Scottish Enterprise that it is important to remain ambitious in terms of increasing Scotland’s exports.**

**168. RECOMMENDATION 27 - The Committee welcomes the achievements of the Enterprise Bodies in attracting research and development investment into Scotland and recognises the positive impact that this has on growth and jobs.**

#### *Resource to capital*

169. The Scottish Government has stated that as part of the switch from resource to capital, it expects the enterprise agencies to supplement their capital programme through switching somewhere between £40 million and £75 million from resource to capital budgets, plus using over £50 million of capital receipts.

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<sup>94</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2157

<sup>95</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2096

<sup>96</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2110

170. In written submissions to the Committee, Scottish Enterprise stated that it planned to transfer £51m from resource to capital and HIE indicated that it is planning to transfer £18m. These transfers reflect the £22.2m and £25.8m reductions in capital funding from the Scottish Government, but the capital expenditure of each agency is still falling £0.6m and £14.5m respectively between 2012-13 and 2013-14.

171. Lena Wilson of Scottish Enterprise reaffirmed her view that “capital expenditure for its own sake is not necessarily a good thing”, and explained that from Scottish Enterprise’s perspective “any capital expenditure is in line with our strategic priorities – measures that will have the highest economic impact.”<sup>97</sup>

172. The Committee heard that the enterprise bodies have always had the flexibility to move funds from resource to capital. Forbes Duthie of HIE explained the value of this flexibility to “make those projects happen sooner rather than later.”<sup>98</sup> The enterprise agencies reassured the Committee that they were not reducing services in other areas to fund capital projects. Alex Paterson told the Committee that HIE was focussed on finding other sources of funding to fill the gap—

“In response to the question of what we should stop doing, I will say that we should not stop doing anything. Rather than stop doing things, we go out and get other funds. In the past financial year, we brought in more than £10 million of funds from Europe and other sources to do things that we wanted to do.”<sup>99</sup>

173. He also told the Committee that—

“Our capital targets are typically set quite low in recognition of the fact that we will be moving more money into capital. We have a prioritisation framework that sets the guidelines for what we want to invest in, and a lot of what we want to do for the region is capital projects. We cannot develop a renewables or life sciences sector without a lot of capital spend.”<sup>100</sup>

174. In relation to VisitScotland, Ken Neilson said—

“Before, we had a maintenance budget. We are trying to transfer away from maintenance into long-term improvement. We are not switching like for like exactly; we are trying to ensure that we do not need such a continuing programme of maintenance and that we fix the problems once and for all. We are spending that cash so that we do not have to continue with the same level of maintenance. We are trying to fund most of that by transferring a similar budget across.”<sup>101</sup>

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<sup>97</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2093-4

<sup>98</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2093

<sup>99</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2094

<sup>100</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2094

<sup>101</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2094

175. In describing the provision of flexibility in the enterprise agencies budget to transfer resource to capital the Cabinet Secretary explained that he did not have the authority to switch capital to resource and that—

“ ... by setting the enterprise agencies resource budget at the level that it is, we create flexibility to switch it into capital expenditure and to enhance that £2.362 billion capital budget.”<sup>102</sup>

**176. RECOMMENDATION 28 - The Committee recognises that the capacity to transfer funds from resource to capital provides the enterprise agencies with flexibility. It also notes that this flexibility can facilitate the earlier initiation of projects.**

**177. RECOMMENDATION 29 - The Committee notes that Highlands and Islands Enterprise has successfully sought financial support from other sources in order to ensure that its activities are not adversely affected by the transfer of resource to capital.**

#### *Investment in renewable energy*

178. Investment in further development of the renewable energy sector remains a key priority for the Scottish Government. It states that targeted investment in renewable energy in partnership with the enterprise bodies will act as a key driver of the Scottish economy. The Scottish Government announced that £103 million of the Fossil Fuel Levy surplus will be used to set up the Renewable Energy Investment Fund (REIF) to support the promotion of energy from renewable sources in Scotland.

179. In oral evidence to the Committee Lena Wilson of Scottish Enterprise said that renewables was a long-term investment and that it was important to manage the funds available to take advantage of the opportunities—

“We will not turn the situation around in a year or so. Renewables is a long-term game with committed long-term investment. From my point of view, I do not feel that there is any shortage of opportunity, shortage of commitment to Scotland or shortage of funds. There are not limitless funds, and we must manage them within the confines of the budgets that we have.”<sup>103</sup>

180. The Committee understands that Scotland is in a unique position to capitalise on the renewable energy sector and that to maximise opportunities will require substantial investment over the long-term. We commend the enterprise agencies on the significant global investments to date and would encourage them to continue to work to attract private sector investment in the industry and to encourage businesses to locate throughout Scotland.

#### *Tourism*

181. Despite the current economic downturn, there has been strong performance in Scotland’s tourism sector with a 5% increase in total tourism visits in Scotland over the year to March 2012. The Scottish Government is placing specific

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<sup>102</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2170

<sup>103</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2099



emphasis on the 'Winning Years' strategy and programme of events. In order to capitalise on these, the Scottish Government has increased VisitScotland's marketing budget by £1.5 million in 2012-13 and provided an additional £1.2 million in 2013-14 and in 2014-15 to support the Scottish Open golf tournament.

182. The Committee considered whether a concentration on events in the short-term was the correct strategy to increasing tourists and revenue. Dr Mike Cantlay of VisitScotland told the Committee that the events strategy had been successful to date, including, for example, the partnering with Disney to promote the Pixar film Brave. He told the Committee that this had enabled VisitScotland to reach an audience of 360 million and yielded a good return on a small investment as "for a relatively modest investment you can get a very good short-term return."<sup>104</sup>

183. In response to the Committee's concern about the impact on expected tourist numbers and Stirling Council's decision not to hold the Gathering, which was to be part of Homecoming 2014, Dr Mike Cantlay of VisitScotland reassured the Committee that the 2014 Homecoming programme had a sufficient number of events to attract visitors. In relation to the Gathering, he explained that although there would "not be a gathering as such", there would still "be the events that are most important to the clan societies surrounding the battle of Bannockburn celebrations that the National Trust is leading at the end of June 2014."<sup>105</sup>

**184. RECOMMENDATION 30 - The Committee recommends that VisitScotland continue to work with partners to maximise the opportunities presented by major events and asks the Scottish Government to provide information on any funds being leveraged to maximise VisitScotland's activities and to provide value for money.**

## POVERTY

185. The Committee heard support for the measures within the budget aimed at tackling poverty, such as supporting young people into employment, apprenticeships and affordable housing.<sup>106</sup> However, Peter Kelly of the Poverty Alliance called for a more strategic approach to tackling poverty, specifically suggesting that the Scottish Government's poverty strategy be refreshed.<sup>107</sup> Judith Robertson of Oxfam Scotland recognised that "the budget is being set in a time of constrained spending and rising austerity measures that are having a disproportionate impact on poor people in Scotland" and that it was a "difficult context in which to set a budget that looks at poverty proofing."<sup>108</sup> However, she expressed the belief that a—

"...more co-ordinated presentation of the deployment of resources would be beneficial. It would also be beneficial if the outcomes were stated so that we could all get a fix on the most important thing, which is to get results."<sup>109</sup>

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<sup>104</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2098

<sup>105</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2125

<sup>106</sup> Paragraphs in this report: 78, 90 and 92.

<sup>107</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2146

<sup>108</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2126

<sup>109</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2130

186. In evidence to the Committee the Cabinet Secretary for Finance, Employment and Sustainable Growth indicated that the equality impact assessment provides an analysis of poverty measures within the draft budget—

“Clearly, poverty is a central part of that assessment. I think that the equality impact assessment of the budget covers the issues that Rhoda Grant has raised on behalf of the Poverty Alliance.”<sup>110</sup>

#### *Promoting solidarity*

187. The Scottish Government’s solidarity purpose target is “To increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017”. It states in the draft budget 2013-14 that its commitment to reducing the gap between rich and poor will be undermined by the UK Government’s welfare reforms. This view was echoed by a other witnesses. Judith Robertson of Oxfam Scotland told the Committee that “Citizens Advice Scotland has estimated that £2 billion has been or will be taken out of Scotland’s economy as a result of welfare reform.”<sup>111</sup>

188. The Committee heard that economic growth alone has not, and does not, tackle poverty and another approach is required. In oral evidence to the Committee, Peter Kelly of Poverty Alliance stated that—

“ ... the significant growth did not really drive down poverty as we might have expected. We cannot set out only to grow the economy. In setting Scotland’s budget, we need to take a more sophisticated and poverty-sensitive approach to how we use our limited resources.”<sup>112</sup>

189. Judith Robertson of Oxfam Scotland told the Committee that in “Oxfam’s perspective, the trickle-down approach did not work and ... our perspective is that its overriding objective is to recover to an economy and an economic system that has failed a quarter of the population of Scotland. Probably one of the biggest mistakes that we could make would be to go back to something that was failing.”<sup>113</sup>

**190. RECOMMENDATION 31 - The Committee notes the difficulties witnesses have experienced in determining the amount being spent specifically on tackling poverty and identifying outcomes. We understand that poverty issues cross portfolios and welcome the announcement that relevant Ministers are to work together on poverty measures. We recommend that the outcomes of this work be reflected in future draft budgets to assist effective scrutiny of the impact of budgetary proposals on tackling poverty.**

#### *Scottish Government pay policy and the living wage*

191. It is currently estimated that around 550,000 employees on adult rates in Scotland are paid earnings below the living wage. The Scottish Government’s commitment to ensure a Scottish living wage for workers covered by Scottish

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<sup>110</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2186

<sup>111</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2126

<sup>112</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2128

<sup>113</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2127

Government pay policy over the remainder of the Parliament was widely welcomed. The Committee heard that its public agencies had adopted this policy. Lena Wilson of Scottish Enterprise said—

“I do not mean to sound trite, but the living wage is a necessary and good thing, certainly in Scottish Enterprise in our commitment to our employees, the example that we set to others and the encouragement that we give to companies. The living wage is extremely important.”<sup>114</sup>

192. In oral evidence to the Committee, Peter Kelly of Poverty Alliance suggested that the enterprise agencies could do more to ensure that private sector companies in Scotland pay the living wage. He said—

“A little-known fact is that Scottish Enterprise was one of the first organisations to which we gave a living wage employer award. That was probably three or four years ago, when it committed to paying the living wage, which was then £7 an hour. At that point, we hoped that Scottish Enterprise would embrace the living wage, talk to employers about it and encourage them to do more. That did not happen, but it could still happen. We could do much more through procurement processes and social benefits to spread the living wage word, if you like.”<sup>115</sup>

193. In relation to the living wage the Cabinet Secretary told the Committee that—

“The different organisations that are funded by the budget are required to pay the living wage. I announced this week that we would accept the Living Wage Foundation’s analysis and pay the living wage of £7.45 per hour.”<sup>116</sup>

194. As part of its pay policy, the Scottish Government has made a commitment to increasing public sector pay by 1%. In evidence to the Committee the Cabinet Secretary argued that, “By implementing pay constraint, the Government has protected public sector employment.”<sup>117</sup>

**195. The Committee welcomes the Scottish Government’s commitment to the living wage and notes that it has introduced a 1% pay cap on the cost of increase of basic pay for staff earning between £21,000 and £80,000. The Committee asks the Scottish Government and enterprise agencies to consider how they can further promote the living wage and better employment practice more generally through their contracts. We ask the Scottish Government to report on the adequacy of funding to other public bodies, including local authorities, to enable them to provide the same objective on pay levels.**

#### *Fuel poverty*

196. The Scottish Government is committed to “eradicate fuel poverty as far as is reasonably practicable by 2016”. The latest Scottish Government estimate is that

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<sup>114</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2116

<sup>115</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2136

<sup>116</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2187

<sup>117</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2168

“if current trends continue, it is projected that the median household will be pushed into fuel poverty from 2012.”<sup>118</sup>

197. Energy efficiency and fuel poverty measures lie within the Infrastructure, Investment and Cities portfolio, however witnesses expressed concerns at the rising number of households in fuel poverty and its impact on poverty in Scotland. The number of households in fuel poverty has been increasing, primarily as a result of the increase in energy prices.

198. The Scottish Government’s National Retrofit Programme to transform Scotland’s ageing houses into energy efficient homes was welcomed. WWF Scotland encouraged the Scottish Government to consider how programmes could be targeted to those most in need “There is merit in looking at whether support programmes should be targeted to rural, remote and island areas.”<sup>119</sup>

199. The Committee heard last year from stakeholders that an investment of £200m per annum was required to meet the 2016 target and that the majority of this sum should come from the public purse. The Scottish Government has allocated £65 million and hopes to achieve an investment of £135 million from the energy companies. Norman Kerr of Energy Action Scotland voiced concern at the level of expected private sector investment—

“...the Government should lead on the issue and commit at least £100 million to it. I do not believe that the budgets as they stand are secure enough to tackle fuel poverty. It will be quite a challenge to get the £135 million that is to come from the energy company obligation every year for the next three or four years—that is a very big ask.”<sup>120</sup>

200. A number of stakeholders told the Committee that due to a range of factors, the draft budget contained insufficient measures to meet the Scottish Government’s fuel poverty target. Norman Kerr of Energy Action Scotland told the Committee this meant that an investment of £300 million per annum was now required—

“If £200 million had been spent every year for the past six years, we would broadly be on track, but we have not spent anything like that in the past six years. Therefore, the £200 million should actually now be £300 million if we are to gain ground and meet the targets.”<sup>121</sup>

201. The Committee also heard that energy companies to date had not played a significant enough role in helping those on low incomes access measures to protect themselves against the increase in fuel prices. Peter Kelly of Poverty Alliance highlighted the “the lack of consistency in the implementation of some of

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<sup>118</sup> Fuel Poverty Evidence Review: Defining, Measuring and Analysing Fuel Poverty in Scotland, August 2012

<sup>119</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2073

<sup>120</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2064

<sup>121</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2079

the measures that the companies have developed and their accessibility to people living on low incomes.”<sup>122</sup>

202. John Dickie of the Child Poverty Action Group in Scotland proposed focusing resources in areas with high levels of child poverty—

“Over the past few years, significant progress has been made in widening the range of people whom fuel poverty programmes support, and we need to ensure that that investment continues to reach children and families. As far as the proposed national retrofit programme is concerned, we need to ensure that areas with high levels of child poverty are considered in the decision-making process about which areas to prioritise.”<sup>123</sup>

203. In evidence to the Committee the Cabinet Secretary conceded that the presentation of allocation of budget for fuel poverty is not “crystal clear”, but provided an assurance of the Scottish Governments support to tackling fuel poverty by providing “sustained support for this exercise, both in this and in future budgets.”<sup>124</sup> In written evidence to the Committee the Cabinet Secretary provided a breakdown of both Scottish Government and UK measures to tackle fuel poverty.<sup>125</sup>

204. In relation to previous criticism that Scotland does not receive a fair allocation of UK schemes the Cabinet Secretary indicated that this was not longer the case—

“Scotland’s proportion of the total CERT<sup>126</sup> measures undertaken in the UK has risen from 6.6 per cent in 2008-09 to 11.8 per cent in 2011-12.”<sup>127</sup>

**205. RECOMMENDATION 32 - In the 2013-14 Draft Budget the Scottish Government’s allocation to fuel poverty measures is £65 million with some witnesses suggesting that a further £135 million would have to come from the energy companies through the obligations set by the UK Government. In evidence the Cabinet Secretary confirmed that expenditure of £104 million would contribute towards tackling fuel poverty. The Committee is unclear to what extent this funding would be targeted exclusively on fuel poverty (as opposed to other objectives such as carbon reduction) and would welcome clarification from the Scottish Government on this.**<sup>128</sup>

**206. RECOMMENDATION 33 - We recognise the challenge presented by the fuel poverty target given the wider economic background. We recommend that the Scottish Government write to the Committee confirming how it will**

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<sup>122</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2130 and 2133

<sup>123</sup> Economy, Energy and Tourism Committee, *Official Report*, 31 October 2012, Col 2132

<sup>124</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2185

<sup>125</sup> Letter from the Cabinet Secretary for Finance, Employment and Sustainable Growth, 13 November 2012

<sup>126</sup> CERT: Carbon Emission Reduction Target.

<sup>127</sup> Economy, Energy and Tourism Committee, *Official Report*, 7 November 2012, Col 2185

<sup>128</sup> An amendment to this paragraph was proposed. The proposal was disagreed to by division: For 3 (Rhoda Grant, Alison Johnstone and John Park), Against 5 (Chic Brodie, Dennis Robertson, Marco Biagi, David Torrance and Mike MacKenzie), Abstentions 1 (Murdo Fraser).

**address any shortfall should energy companies not invest sufficiently given that they have no power to compel these companies to invest this amount.**

## CLIMATE CHANGE

### *Climate Change (Scotland) Act 2009*

207. The Scottish Government has set ambitious targets to reduce greenhouse gas emissions. In July 2012 it reported that due to a number of factors greenhouse gas emissions in the energy supply and residential sectors had increased. In written evidence to the Committee Stop Climate Chaos Scotland indicated that this was—

“ ... an increase of nearly 2% in 2010 compared to the previous year. This meant that the 2010 annual target, as set in the Scottish Climate Change Act, to reduce emissions by just 0.07%, was missed.”<sup>129</sup>

208. The Committee heard that there was a lack of evidence on how the Scottish Government would get back on track to meet the missed targets. Dr Dan Barlow of WWF Scotland called for this information to be provided in the second Low Carbon Scotland document, he said about the document—

“ ... it would strike me as strange if it did not identify specific actions to be taken in housing and transport, and whether additional measures would be introduced to make up for the fact that emissions from those sectors are not reducing at the rate that they need to if we are to deliver the climate change targets. I urge the committee to look at that and to raise it with the cabinet secretary.”<sup>130</sup>

209. The National Performance Framework indicated that performance was worsening on the target of sustainability on two measures “To reduce emissions over the period to 2011” and “To reduce emissions by 80 percent by 2050”.<sup>131</sup>

210. Dr Dan Barlow of WWF Scotland told the Committee that substantial additional investment to bring properties up to a minimum standard would be required to meet the climate change targets---

“Our analysis shows that we need a total investment in the region of £4.6 billion if we are to meet the 2020 climate targets in our housing sector and £6.3 billion to meet the fuel poverty targets. That is from public and private sources. As a minimum, doubling the amount of funding that is available to the national retrofit programme would be a good start.”<sup>132</sup>

211. In oral evidence to the Committee, Stephen Boyd of the STUC said that the Scottish Government should undertake research into the changes necessary to meet climate change targets—

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<sup>129</sup> Stop Climate Chaos Scotland, written submission to the Committee, page 1

<sup>130</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2067

<sup>131</sup> Scotland Performs: <http://www.scotland.gov.uk/About/Performance/scotPerforms>

<sup>132</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2079

“We signed three years ago with the First Minister a communiqué on climate change. As part of that, we are encouraging the Scottish Government to do some pretty serious research on the sectoral and geographical implications of the kind of shift that would be needed to achieve those targets. That has not yet been forthcoming.”<sup>133</sup>

212. The draft budget indicates that “energy received additional capital of £45 million in 2013-14 and £42 million in 2014-15 for renewables projects through drawdown of Scotland’s Fossil Fuel Levy surplus; it will also receive £14.7 million in 2013-14 from a Whitehall transfer as part of the Green Deal Initiative”.<sup>134</sup> The Scottish Government is to use the Green Deal transfer to increase expenditure on domestic energy efficiency measures.

213. Dr Dan Barlow of WWF Scotland indicated that whilst the Green Deal would not tackle fuel poverty, it would help to cut emissions in domestic properties—

“It will help to cut emissions from the housing sector, although it is definitely not a magic bullet, and it will have a limited role in tackling fuel poverty.”<sup>135</sup>

214. He also told the Committee that he did not feel confident that the budget will help to meet the targets, saying—

“... the budget as it stands does not give us confidence that we will meet all the targets that were established in the 2009 act, which are clearly very important.”<sup>136</sup>

**215. RECOMMENDATION 34 – The Committee calls on the Scottish Government to set out how progress on meeting the emissions targets in the Climate Change Act can be accelerated and to assess how both public and private sector investment can be increased to ensure that targets in the next Low Carbon Scotland document are achievable. The Committee notes the concern of witnesses and believes that it is important that the budget gives confidence that the climate change targets will be met. The Committee asks the Scottish Government to publish the updated RPP before seeking the approval of Parliament for its budget.**<sup>137</sup>

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<sup>133</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2053

<sup>134</sup> Draft Budget 2013-14: <http://www.scotland.gov.uk/Publications/2012/09/7829/2>

<sup>135</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2078

<sup>136</sup> Economy, Energy and Tourism Committee, *Official Report*, 24 October 2012, Col 2079

<sup>137</sup> An amendment to this paragraph was proposed. The proposal was agreed to by division: For 5 (Rhoda Grant, Alison Johnstone, Murdo Fraser, Marco Biagi and John Park), Against 4 (Chic Brodie, Dennis Robertson, David Torrance and Mike MacKenzie).

## Appendix A

### Summary of votes

The Committee agreed not to replace “welcomes” with “notes”.

**RECOMMENDATION 22 - The Committee welcomes<sup>138</sup> the increase in the number of businesses benefiting from the SBBS. Given the importance of obtaining value for money for all expenditure we recommend that the Scottish Government undertake an evaluation of the impact of the SBBS, as against other possible interventions, on increasing growth and employment in the small business sector and make the findings available to the Committee prior to next year’s budget process.**

The Committee agreed not to include “and a commitment that no less than £100m will be spent on fuel poverty”.

**RECOMMENDATION 32 - In the 2013-14 Draft Budget the Scottish Government’s allocation to fuel poverty measures is £65 million with some witnesses suggesting that a further £135 million would have to come from the energy companies through the obligations set by the UK Government. In evidence the Cabinet Secretary confirmed that expenditure of £104 million would contribute towards tackling fuel poverty. The Committee is unclear to what extent this funding would be targeted exclusively on fuel poverty (as opposed to other objectives such as carbon reduction) and would welcome clarification from the Scottish Government on this.<sup>139</sup>**

The Committee agreed the following addition to RECOMMENDATION 34:  
**The Committee asks the Scottish Government to publish the updated RPP before seeking the approval of Parliament for its budget.<sup>140</sup>**

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<sup>138</sup> An amendment to this paragraph was proposed. The proposal was disagreed to by division: For 2 (Rhoda Grant, Alison Johnstone), Against 6 (Chic Brodie, Mike MacKenzie, Dennis Robertson, David Torrance, Marco Biagi and Murdo Fraser).

<sup>139</sup> An amendment to this paragraph was proposed. The proposal was disagreed to by division: For 3 (Rhoda Grant, Alison Johnstone and John Park), Against 5 (Chic Brodie, Dennis Robertson, Marco Biagi, David Torrance and Mike MacKenzie), and Abstentions 1 (Murdo Fraser).

<sup>140</sup> An amendment to this paragraph was proposed. The proposal was agreed to by division: For 5 (Rhoda Grant, Alison Johnstone, Murdo Fraser, Marco Biagi and John Park), Against 4 (Chic Brodie, Dennis Robertson, David Torrance and Mike MacKenzie).



**ANNEXE A: EXTRACTS FROM THE MINUTES OF THE ECONOMY, ENERGY  
AND TOURISM COMMITTEE**

**22nd Meeting, 2012 (Session 4), Wednesday 5 September 2012**

3. **Draft Budget Scrutiny 2013-14 (in private):** The Committee considered a list of candidates for the post of budget adviser and agreed a rank order of preference.

4. **Draft Budget Scrutiny 2013-14 (in private):** The Committee agreed its approach to the scrutiny of the Scottish Government's Draft Budget 2013-14. The Committee agreed to review evidence received and discussion on draft reports in private at future meetings.

**26th Meeting, 2012 (Session 4), Wednesday 3 October 2012**

**Draft Budget Scrutiny 2013-14** The Committee took evidence on the Scottish Government's Draft Budget 2013-14 from—  
Dr Jim McCormick, Scotland Adviser, Joseph Rowntree Foundation;  
Professor Richard Kerley, Queen Margaret University;  
Sir Donald MacKay.

**27th Meeting, 2012 (Session 4), Wednesday 24 October 2012**

**Draft Budget Scrutiny 2013-14:** The Committee took evidence from—  
Stephen Boyd, Assistant Secretary, STUC;  
David Lonsdale, Assistant Director, CBI Scotland;  
Colin Borland, Head of External Affairs, Federation of Small Businesses;  
John Downie, Director of Public Affairs, SCVO;  
Norman Kerr, Director, Energy Action Scotland;  
Dr Dan Barlow, Head of Policy, WWF Scotland.

**28th Meeting, 2012 (Session 4), Wednesday 31 October 2012**

**2. Draft Budget Scrutiny 2013-14:** The Committee took evidence from—  
Lena Wilson, Chief Executive, and Iain Scott, Chief Financial Officer, Scottish Enterprise;  
Alex Paterson, Chief Executive, and Forbes Duthie, Director of Finance and Corporate Services, Highlands and Islands Enterprise;  
Dr Mike Cantlay, Chairman, and Ken Neilson, Director of Corporate Services, VisitScotland;  
Judith Robertson, Head of Oxfam Scotland;  
Peter Kelly, Director, The Poverty Alliance;  
John Dickie, Head of the Child Poverty Action Group in Scotland (CPAG);  
Graeme Bissett, Chair, Children 1st.

Joan McAlpine referred to her Register of Interests. Patrick Harvie indicated that he is a member of the Poverty Alliance and that he was on the steering group for Oxfam Scotland's Humankind Index.

**3. Draft Budget Scrutiny 2013-14 (in private):** The Committee reviewed the evidence heard to date.

**29th Meeting, 2012 (Session 4), Wednesday 7 November 2012**

**3. Draft Budget Scrutiny 2013-14** The Committee took evidence on the Scottish Government's Draft Budget 2013-14 from—

John Swinney, Cabinet Secretary for Finance, Employment and Sustainable Growth, John Mason, Director of Business, and David Wilson, Director of Energy, Scottish Government.

**4. Draft Budget Scrutiny 2013-14 (in private):** The Committee considered a draft report.

**30th Meeting, 2012 (Session 4), Wednesday 14 November 2012**

**2. Draft Budget Scrutiny 2013-14:** The Committee agreed its report to the Finance Committee on the Scottish Government's Draft Budget 2013-14. Several changes were agreed to, 3 by division.

## **ANNEXE B: ORAL AND ASSOCIATED WRITTEN EVIDENCE**

Please note that all oral evidence and associated written evidence is published electronically only, and can be accessed via the Economy, Energy and Tourism Committee's webpages, at:

<http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/55888.aspx>

### [Official report](#)

Dr Jim McCormick  
Professor Richard Kerley  
Sir Donald MacKay.

### **27th Meeting, 2012 (Session 4), Wednesday 24 October 2012**

### [Official report](#)

Oral evidence

Stephen Boyd, Assistant Secretary, STUC;  
David Lonsdale, Assistant Director, CBI Scotland;  
Colin Borland, Head of External Affairs, Federation of Small Businesses;  
John Downie, Director of Public Affairs, SCVO;  
Norman Kerr, Director, Energy Action Scotland;  
Dr Dan Barlow, Head of Policy, WWF Scotland.

Written evidence

[STUC](#) (164KB pdf)  
[CBI Scotland](#) (272KB pdf)  
[Federation of Small Businesses](#) (295KB pdf)  
[SCVO](#) (125KB pdf)  
[WWF Scotland](#) (275KB pdf)

### **28th Meeting, 2012 (Session 4), Wednesday 31 October 2012**

### [Official report](#)

Oral evidence

Lena Wilson, Chief Executive, and Iain Scott, Chief Financial Officer, Scottish Enterprise;  
Alex Paterson, Chief Executive, and Forbes Duthie, Director of Finance and Corporate Services, Highlands and Islands Enterprise;  
Dr Mike Cantlay, Chairman, and Ken Neilson, Director of Corporate

Services, VisitScotland;  
Judith Robertson, Head of Oxfam Scotland, Oxfam Scotland;  
Peter Kelly, Director, The Poverty Alliance;  
John Dickie, Head of CPAG in Scotland, Child Poverty Action Group in  
Scotland;  
Graeme Bissett, Chair, Children 1st.  
Written evidence

[Scottish Enterprise](#) (345KB pdf)  
[Highlands and Islands Enterprise](#) (250KB pdf)  
[VisitScotland](#) (114KB pdf)  
[Poverty Alliance, The](#) (83KB pdf)  
[Child Poverty Action Group in Scotland](#) (93KB pdf)

### **29th Meeting, 2012 (Session 4), Wednesday 7 November 2012**

#### [Official report](#)

John Swinney, Cabinet Secretary for Finance, Employment and  
Sustainable Growth, John Mason, Director of Business, and David Wilson,  
Director of Energy, Scottish Government.

Other written evidence

[British Hospitality Association](#) (141KB pdf)  
[Existing Homes Alliance, The](#) (190KB pdf)  
[Scottish Chambers of Commerce](#) (129KB pdf)  
[Scottish Retail Consortium](#) (67KB pdf)  
[Stop Climate Chaos Scotland](#) (155KB pdf)  
[Transform Scotland](#) (104KB pdf)  
[Unison](#) (93KB pdf)