



OFFICIAL REPORT
AITHISG OIFIGEIL

Rural Economy and Connectivity Committee

Wednesday 30 January 2019

Session 5



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RURAL ECONOMY AND CONNECTIVITY COMMITTEE
4th Meeting 2019, Session 5

CONVENER

*Edward Mountain (Highlands and Islands) (Con)

DEPUTY CONVENER

*Gail Ross (Caithness, Sutherland and Ross) (SNP)

COMMITTEE MEMBERS

*Peter Chapman (North East Scotland) (Con)

*John Finnie (Highlands and Islands) (Green)

*Jamie Greene (West Scotland) (Con)

*Richard Lyle (Uddingston and Bellshill) (SNP)

*John Mason (Glasgow Shettleston) (SNP)

*Mike Rumbles (North East Scotland) (LD)

*Colin Smyth (South Scotland) (Lab)

*Stewart Stevenson (Banffshire and Buchan Coast) (SNP)

*Maureen Watt (Aberdeen South and North Kincardine) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Felicity Cullen (Scottish Government)

Fergus Ewing (Cabinet Secretary for the Rural Economy)

CLERK TO THE COMMITTEE

Steve Farrell

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Rural Economy and Connectivity Committee

Wednesday 30 January 2019

[The Convener opened the meeting in private at 09:00]

10:30

Meeting continued in public.

South of Scotland Enterprise Bill: Stage 1

The Convener (Edward Mountain): Good morning and welcome to the fourth meeting in 2019 of the Rural Economy and Connectivity Committee. I ask everyone to make sure that their mobile phones are in silent mode.

Agenda item 2 is the South of Scotland Enterprise Bill. This is the committee's final evidence session on the bill. I welcome Fergus Ewing, the Cabinet Secretary for the Rural Economy, and, from the Scottish Government, Sandra Reid, who is the bill team leader; Karen Jackson, who is the south of Scotland economic development team leader; and Felicity Cullen, who is from the legal directorate.

The cabinet secretary has asked to give an opening statement. Please limit it to no more than three minutes.

The Cabinet Secretary for the Rural Economy (Fergus Ewing): I am pleased to give evidence today. The south of Scotland has a different and distinct rural economy. A new south of Scotland enterprise agency is a great opportunity to do things differently for the south, building on its strengths and traditions. We want the agency to deliver a fresh approach to economic development—to unlock potential, address opportunities and respond to needs to make sure that the south has the strong role in Scotland's economy that it deserves.

The bill provides the structure and legal framework for a new body in the south of Scotland to drive inclusive growth. It sets out the high-level aims and powers that are necessary to enable the body to support that growth. It provides maximum flexibility for the new body to shape its activities and to respond to the circumstances of the south. This is an opportunity to set the future direction for the south of Scotland and to drive the economy forward with growth that creates opportunities for

all, sustains and grows communities and harnesses the potential of people and resources.

Our proposals have been developed through extensive engagement with the people who live, study and work in the south. About 250 people replied to our written consultation, overwhelmingly welcoming the proposal and ambitions for the new agency. Working with the south of Scotland economic partnership, we heard from 536 people at 26 engagement events across the south. We will continue to work closely with stakeholders as the functions and shape of the new body are developed, to make sure that it is accountable to the people of the south.

We are responding to the needs, ad interim, by investing almost £6.7 million in the south of Scotland skills and learning network, which will be delivered through the colleges, to provide better access to training to a wider range of students. Last week, investment of £156,000 was confirmed to support the development of skills through developing land-based training across the south of Scotland.

I am sure that there are many questions for us today. The south of Scotland enterprise agency will play a vital role in delivering our ambitions for the area, driving inclusive growth and supporting the rural economy.

Maureen Watt (Aberdeen South and North Kincardine) (SNP): Good morning, cabinet secretary. When we were taking evidence, especially when we went to Dumfries, there seemed to be a general dissatisfaction with the current operation of Scottish Enterprise in the south of Scotland. That was perhaps due to a bit of a misunderstanding about what Scottish Enterprise is tasked to do and the differences between it, business gateway and local authority functions. Do you have any views on why that might be the case? What is your expectation of how the new agency will approach the enterprise problems in the south?

Fergus Ewing: I think that there is a desire for a locally accountable body. Scottish Enterprise has worked hard to discharge its duties across the geographical range of its responsibilities, which is the whole of Scotland other than the area covered by Highlands and Islands Enterprise. That is a massive area. Scottish Enterprise has a presence in the south of Scotland, but it is perhaps perceived as not being based in and of the south of Scotland. Over the years, it has done good work, in which I was involved when I was the enterprise minister. Most recently, I was involved in working with Steve Dunlop and colleagues in relation to Spark Energy. I assure you that the officers—at senior level and all levels of Scottish Enterprise—are devoted to their task, are good public servants and have done a lot of work to

discharge their duties. Nonetheless, it is not a locally headquartered body.

In response to the second part of the question, I believe that the new body, which will be based in the south, can be shaped and adapted to meet the local needs and to work closely with business gateway and the local authorities. The south of Scotland economic partnership, which is chaired by Professor Griggs, has built up very good relations with the leadership of the councils and all the agencies, particularly the colleges and universities that are based in the south of Scotland. I am therefore optimistic that the new body will be able to provide the local feel, accountability and presence that Scottish Enterprise has perhaps been perceived by some not to have had, despite all the good work that it has done over the years.

Maureen Watt: The new body will be tasked with growing indigenous business, which is key to economic growth in the south of Scotland. What will the relationship be with inward investment? Will HIE, Scottish Enterprise and the south of Scotland enterprise agency be competing for inward investment in Scotland? How is it going to work?

Fergus Ewing: There is collaboration between the existing agencies. For example, Scottish Development International often takes the lead in making first contact with an inward investor, which often happens at its offices throughout the world, and the strategic economic partnership plays an oversight role. In my experience, the bodies work well together when they are required to. There is no real element of poaching or aggressive competition; rather, there is collaborative working. Therefore, I do not think that that is an issue.

There are opportunities for inward investment, but there is a feeling that the smaller businesses, which are the bedrock of the south of Scotland's rural economy, could have a closer relationship with the new body and that it should reach out to the traditional areas of strength and build on those. In the farming community, in forestry, in tourism, in transportation and logistics and in other areas, there are a lot of active small and medium-sized businesses, and I think that the new body will be better able to reach out to those businesses and work more closely with them than happens under the existing arrangements.

Maureen Watt: The problems and issues that face the economy of the Borders and Dumfries and Galloway are also faced by the communities in South Ayrshire, East Ayrshire and South Lanarkshire. How confident are you that those other rural areas in the south of Scotland will be adequately served by Scottish Enterprise?

Fergus Ewing: I am confident that they will be. At the consultation stage, quite rightly, consideration was given to the geographical boundaries that should apply. In particular, consideration was given to the Ayrshires and South Lanarkshire. The three Ayrshire councils cooperate and are all working to achieve the Ayrshire growth deal, and South Lanarkshire is linked to the Glasgow city region deal. There are also proposals for regional economic partnerships that will ensure that there is a regional voice at all levels.

My view is that the majority response from people in the south of Scotland—in Dumfries and Galloway, in the Borders and in Ayrshire and South Lanarkshire—is that the new body should have the geographical boundaries that are proposed in the bill, with the two local authorities comprising the south of Scotland area. That was the prevailing and majority view, and that is the basis on which we are proceeding.

The last point that I want to make in response to Ms Watt's questions is that we are mindful of the fact that there should always be, and is, close working between public sector bodies of all sorts at all levels. Collaboration—working in a positive, constructive and collaborative spirit—is the key to getting things done, and I have spent thousands of hours in trying to do that, working with colleagues and friends in local government.

The Convener: Jamie Greene has a supplementary question.

Jamie Greene (West Scotland) (Con): Good morning, cabinet secretary. I appreciate what you said about close collaboration, which will be welcomed. However, there is a view in the Lanarkshire and Ayrshire authorities that, because they will sit on the other side of the boundary of the new agency, they will be able to benefit only from the agencies that exist under the present set-up. Many criticisms were made of how those agencies served the south of Scotland, which led to the moves to create a new agency. Will the new agency make any tangible difference to how the Lanarkshire and Ayrshire authorities access services, or will they simply see things being done in a better way across the boundary in the Dumfries and Galloway Council and Scottish Borders Council areas and be stuck with the old system?

Fergus Ewing: We are not proposing that any local authority should receive an inferior service, and I do not believe that any authority receives a lower-level service at the moment. I have worked closely with Scottish Enterprise in relation to investments, proposals and businesses in every part of Scotland, including the Ayrshires and South Lanarkshire, over the years, not least in respect of investments in the steel industry, aerospace and

food and drink businesses in Ayrshire. Together with Scottish Enterprise, I have convened meetings in Ayrshire, in many ways to provide a local presence from time to time. I could give members many examples if they wish. I vigorously defend the role of Scottish Enterprise in covering all of its areas, and I think that that good work will continue.

The growth deals in the bordering areas provide one set of opportunities. I have quite a lot detail on how the growth deals—which do not fall within my portfolio—are operating, but perhaps members can take that as read so that I do not use up too much of the committee's time. The regional economic partnerships are designed to ensure that there is good performance on economic development in every part of the country.

Mr Greene raises an issue on which questions will be asked by many others. We must keep a watching brief to make sure that the bordering areas that will not be in the south of Scotland enterprise area do not lose out. I am sure that we will monitor and keep an eye on that as we proceed.

The Convener: The point was made to us in evidence that it is important that the new agency will be able to encourage businesses just outwith the area that it will cover so that businesses within that area can benefit from services such as the provision of skills or apprenticeships. Will the bill allow for that? Businesses in the area that the new agency will cover might have to rely on businesses in other areas to supply some of the raw materials that they need.

Fergus Ewing: Yes. At present, a flexible approach is taken where there are cross-border issues. I will give an example, which might or might not be apt. As members from the north-east of Scotland will know, Glenshee falls just within the Scottish Enterprise area but the other four outdoor ski resorts are in the Highlands and Islands. Therefore, when we sought to assist all five resorts to avail themselves of finance to upgrade their facilities, Scottish Enterprise and HIE worked very closely together to work out a common scheme. Initially, the agencies had two different ideas, but I understand that, through collaboration and discussion, they came up with a scheme that ensured that Glenshee was not disadvantaged in comparison with the other resorts, which are in HIE's area.

10:45

My experience is that there is no question but that the ministers who have oversight and the chief executives who run these important bodies all want to work together—that is absolutely at the heart of successful economic development and is

how we all seek to work in Scotland. In general, that works fairly well in practice. We cannot foresee the future, and situations will arise, but that co-operative approach allows us to do everything that is practical in most circumstances.

I do not know whether Karen Jackson or Felicity Cullen is keen to add something to the mix, if that is in order.

Felicity Cullen (Scottish Government): The body will operate in Dumfries and Galloway and in the Scottish Borders, but section 7 has been drafted deliberately to allow it to do things that will help it to undertake its functions without limiting it to those areas. The convener gave an example of the need for a bit of pliability to include something in an area that is just outwith the boundary, in order to benefit the south of Scotland. It will be entirely available to the body to deal with that.

The Convener: That is perfect, and it answers the question nicely.

John Finnie (Highlands and Islands) (Green): The bill, which is welcome, lays out the aims of south of Scotland enterprise. The first is to

“further the economic and social development of the South of Scotland”,

which is comprehensively explained in six points. The second aim is to

“improve the amenity and environment of the South of Scotland”,

which is not explained. We have had a number of representations about that, including the comment that the provision is weak. Bodies such as the Solway Firth Partnership and the Southern Uplands Partnership have suggested what that aim should cover. Is the lack of an explanation a shortcoming of the bill?

Fergus Ewing: The aims in section 5 are framed in a general way that is designed to cover just about everything. The section avoids delimiting or restricting the scope by avoiding specificity—by avoiding a long list of specifics. That is the current mode of drafting, which has been used deliberately. As Mr Finnie said, the section gives examples of furthering economic and social development, but they are illustrative, as we want to ensure that the body has sufficient flexibility to shape its activities.

Improving the amenity and the environment is the second of the two aims. The fact that there are two aims—one on economic and social development and the other on the amenity and the environment—gives the aim on the amenity and the environment equivalence with the one on economic and social development.

It would be unnecessary to have a long list of things that will be dealt with in implementing the

powers; it will be for the action plan to go into that later. However, I reassure Mr Finnie that the powers have been framed correctly, so that the agency will have the widest powers to assist in improving the amenity and the environment.

We might come back to that at stage 2, when we can have a more detailed discussion, but I am extremely confident that the new body will have the power—if it is so advised and if it decides to do so—to advance

“the amenity and environment of the South of Scotland”

and to do that in conjunction with pursuing its other aim.

Jamie Greene: I will follow on from Mr Finnie’s line of questioning. I appreciate what the cabinet secretary said about the bill not being overly prescriptive on what should be in the action plan and not going into great detail on what the agency’s aims should be. However, I have a sense of déjà vu. The cabinet secretary will recall the work that the committee did on the Islands (Scotland) Bill, and we had the same argument about whether matters such as transport and digital connectivity should be mentioned in that bill. The feedback that we got from the sessions that we had in the south of Scotland was very much that those are two of the main issues so they should be addressed and highlighted in the bill. Why are they not?

Fergus Ewing: As Mr Greene said, the South of Scotland Enterprise Bill has been framed very widely. For example, section 5(2) amplifies what is meant by

“furthering ... economic and social development”,

which includes

- “(a) supporting inclusive economic growth,
- “(b) providing, maintaining and safeguarding employment,
- “(c) enhancing skills and capacities,
- “(d) encouraging business start-ups and entrepreneurship,
- “(e) promoting commercial and industrial—
 - (i) efficiency
 - (ii) innovativeness, and
 - (iii) international competitiveness,”

and

“(f) supporting community organisations”.

Those are the aims of the body. Of course, it will work alongside Transport Scotland, which has national responsibility for trunk roads, railways and other modes of transport, and alongside the work that the Scottish Government is doing in partnership with local authorities on the reaching 100 per cent programme, which has the aim of providing access to superfast broadband to all in Scotland, and especially to remote areas.

It is a case of horses for courses. We already have bodies that have expertise in those other areas and we expect that they will continue to carry out their work there. They also have the budgets for transport and connectivity. The south of Scotland agency will not have the budget to do that work. It will not have the executive responsibility, and the budget follows that responsibility.

As you know, convener, I never wish to go on for too long, but—

The Convener: No comment. [*Laughter.*]

Fergus Ewing: Members should feel free to laugh, but my final point is a serious one.

I absolutely accept that the concerns that Jamie Greene has expressed are those that one would hear at public engagement meetings. However, the key thing is to work collaboratively with all the other bodies and, where necessary, bring them together to work towards delivering improved transport projects and the R100 project. That is how to do things successfully.

Jamie Greene: Notwithstanding what the cabinet secretary has said, I refer again to discussions on previous bills, in which we heard the argument that we should not be prescriptive. We ended up in a place where part 2 of the Islands (Scotland) Act 2018 specifically mentions improving transport services and digital connectivity, among many other things, so it is incumbent on the agency to deliver on those, regardless of who owns the budget. There is precedent for putting such issues in the bill. If the community wants those two specific issues to be in the bill, one could argue that there is still scope for them to appear.

Fergus Ewing: No doubt we will debate those matters in more detail at stage 2. That is absolutely right, and the Parliament and individual members are perfectly entitled to lodge amendments. I did not steer the Islands (Scotland) Bill through the Parliament, so I cannot speak from that knowledge or experience.

The approach that we have set out in no way constricts the body in the achievement of those aims. However, there is a risk in setting out duties for a body with no budget. If one does that, it can unfairly raise expectations of the body that has been charged with duties but does not have the budget to deliver them. As a matter of common sense, we should be canny about doing so. We should call to account, as I am sure committees do, Transport Scotland and other agencies that have the budgets, staff, expertise and knowledge to deal with such important matters. I guess that this conversation is one that is to be continued.

Gail Ross (Caithness, Sutherland and Ross) (SNP): The aims of the new agency, which we have touched on already, are in two separate parts: to further the economic and social development of the south of Scotland and to improve the amenity and environment of the south of Scotland. What timetable and criteria are set out to assess whether the agency is a success? Section 5(2) sets out in detail how the economic and social side will be addressed, but there is little or no detail about the amenity and environment side. How will we assess that?

Fergus Ewing: Obviously, the body has not yet been set up, so we need to get it set up and running. The bill provides for various formal requirements that are all parts of the accountability of the new body. For example, section 6 deals with an action plan and section 14 deals with an annual report. I know that Councillor Elaine Murray expressed the view that reporting back to the communities is extremely important, and I agree with that view. I believe that the more effectively a body communicates with those whom it serves, the better things tend to be.

I think that, as the body discharges its functions, its performance will be assessed. It will be accountable to Scottish ministers and, through ministers, to the Scottish Parliament. This committee will be able to call its office-bearers to give evidence at any time so that you can scrutinise the agency's performance. Those are all tried and tested methods of ensuring that there is accountability in relation to the assessment of performance. There is also a requirement to submit proper accounts and accounting records and to send copies of those to the Auditor General for Scotland. In the normal way, the new body will be subject to scrutiny by Audit Scotland, which is entirely independent of Government.

That is how all these matters have been dealt with. I would expect the action plan to deal specifically with the environmental responsibility, and that will form part of the scrutiny that the Parliament and Audit Scotland will carry out. The emphasis will be on local accountability. The desire for that has been expressed to this committee and others in the work leading up to today.

Richard Lyle (Uddingston and Bellshill) (SNP): On the new agency's powers, the committee received a submission from a former solicitor in the legal section of Scottish Enterprise, and he expressed concerns about the decision to exclude from the bill compulsory land purchase and information-gathering powers. He said:

"these are important powers and should be clearly set out in the primary legislation".

Why does the bill not grant powers to acquire land by compulsory purchase nor powers of entry to land or powers to obtain information? I know that you wish the new agency to have the same powers as Scottish Enterprise and Highlands and Islands Enterprise, which, you have said, will drive the economy forward. If the agencies are going to work together, should they not all have the same powers?

Fergus Ewing: There is a principled argument that there should be an equivalence of powers. However, experience has tended to suggest that the powers of compulsory purchase have never actually been used by either Scottish Enterprise or Highlands and Islands Enterprise. The way in which they have worked has never required those powers to be used. We do not believe that the power of compulsory purchase is a necessary one for the south of Scotland agency to have, because we expect it to work collaboratively.

Compulsory purchase is very much a last resort. Indeed, as I said, it has not been resorted to at all by the other economic development agencies. The new agency will have the ability to purchase and sell its own assets and to work with other bodies that have separate statutory powers, including local authorities. I know that Bryan McGrath from Scottish Borders Council and Elaine Murray from Dumfries and Galloway Council have expressed the view that the arrangements that we are setting out are adequate and that the way round any issues will be through working with local authorities, which have the necessary powers.

For the sake of completeness, I will address the two other issues that Mr Lyle mentioned, which were the power to enter land and the power to acquire information. I would like to reflect on those aspects separately and discuss what we did in preparation for stage 1. We have spent some time looking at compulsory purchase because there has been a lot of focus on and discussion about that. Maybe we need to spend a bit more time looking at those other areas to see whether there is a need to do anything about those particular aspects. We can come back to that. If we have anything useful to add, we will write to the committee thereanent.

11:00

Richard Lyle: I welcome your comments. I know that members have pressed you on compulsory powers in considering previous bills.

Colin Smyth (South Scotland) (Lab): Good morning to the panel. At present, the bill gives ministers the powers to appoint the chair of the agency, all the members of the board and the agency's first chief executive. In gathering evidence on the bill, we have heard calls for local

communities and stakeholders to have more say on who is appointed to the board. Are you considering that?

Fergus Ewing: The appointments will be made on merit, regulated by the Public Appointments and Public Bodies etc (Scotland) Act 2003, overseen by the Commissioner for Ethical Standards in Public Life in Scotland and subject to the code of practice for ministerial appointments to public bodies in Scotland. The process for appointments is therefore heavily regulated by statute.

Ministers will make the decisions, but it should be made clear that those decisions will be heavily influenced and circumscribed by the legislative framework that has been set out. In practice, the minister very often approves a set of recommendations that emerges from a structured process that was designed to provide fairness, transparency and accountability. I cannot emphasise that enough.

I have heard Elaine Murray's evidence, for example, and she is less concerned about ministerial appointments and more concerned about reporting back. That goes back to my previous issue. I have much sympathy with that point of view.

It is plain that, if the bill is passed, we will need to appoint a chair and a chief executive in preparation for the setting up of the body, and that will be done in stages. The appointments process and the full legislative regulations will apply to the appointments of the chair and the chief executive. The minister will not pick whoever he or she wants—that is not how it works. That would not be appropriate and I would not conceive of proceeding in that way. There is a formal process that must be observed. Parliament set it out. I believe that it is fair, and we will follow it.

I hope that Mr Smyth and other members will welcome my final point. We must ensure that we reach out to attract people of the south of Scotland in the south of Scotland—particularly those who might not think of themselves as having a role as a board member of the agency but who have an awful lot to offer. Many people—the leaders of the councils, I believe, and others—have suggested that we should have a recruitment campaign that is advertised in local papers, and we should pursue that suggestion. There is a budget for that. In order to deliver on what I understand to be a commonly expressed view, I will say to officials that the recruitment campaign should reach out not just in Dumfries and Hawick but across the area, using local papers and other forms of communication including, I expect, social media, although that is not my particular area of expertise.

We must reach out to try to get people beyond the usual suspects. That is not easy to do because, in general, people who have a lot to do are extremely busy doing what they are already doing—they may run businesses or hold down important posts in public bodies. However, a common view has been expressed that we should do that, and I am determined that that will be the practical way by which we will get the best calibre and contribution of local people to the south of Scotland enterprise agency.

Colin Smyth: It is clear that young people will be a key group in that work. In the south of Scotland, we have a huge problem with the outward migration of young people and a real demographic challenge. What mechanisms will be in place to involve young people in the running of the agency?

Fergus Ewing: There is a particular issue relating to young people at the strategic level. There is a propensity—it is common in the Highlands and Islands—for young people to see their future and career prospects as being outwith their area; they see their lives being lived outside the Highlands and Islands. One of the successes of Highlands and Islands Enterprise and others has been to stem that trend. For the first time, I think, a significant majority of young people in the Highlands and Islands think that they have a future there, and that is a terrific thing.

That is the overall, strategic aim on which we want to deliver. I am not sure quite how many people will necessarily want to be a board member of south of Scotland enterprise, but we should reach out to everyone to ensure that people have the opportunity to do that. We are engaged with organisations such as Young Scot and the Scottish Youth Parliament and I regularly meet representatives of such bodies at public events—they are reaching out and playing a part in public policy. If Mr Smyth or other members have specific suggestions about what else we should do, we will be open to them. We are willing to consider how we can do what is suggested as effectively as we can.

Colin Smyth: The key will be how people, whether we are talking about young people or other key stakeholders, can hold the agency to account. The bill gives ministers the power by regulations to alter the agency's aims, to approve the action plan, to decide on the location of the headquarters and to issue directions to the agency, without consulting it. That is slightly different from how HIE works. The bill is clear on how the agency will report to and be held to account by Government ministers, but what mechanisms are in place to ensure that the agency will be held to account by stakeholders in the local community?

Fergus Ewing: It is right that all public agencies are held to account through ministers and, in turn, the Parliament. We are all elected, and that is why we are here. As members of the Scottish Parliament, you hold the Executive to account, and that must always be the principal way in which accountability is exercised through our democratic system.

The key element of the question that you quite fairly ask is how local communities will feel that they are being served by the new body. In part, it will be up to the body to develop methods of communication. For example, although there has to be a headquarters, I understand that the intention is that the body will have a presence in many parts of the south of Scotland enterprise area and will not be based in one office in Newtown St Boswells, Dumfries or anywhere else. It will co-locate with other public bodies.

The south of Scotland economic partnership issues a newsletter and it has held 26 meetings—that is a power of work. Colleagues of mine have attended a great many of those meetings in the evenings after their working days have been over. A tremendous amount of positive work has been done so far, which I am sure you welcome, Mr Smyth, and the partnership, as the precursor to the statutory body, has already shown that it is absolutely determined to reach out to local communities.

I think that the action plan will deal with that, too, and the oversight from this Parliament and from me will ensure that local engagement and local accountability are very much at the heart of the operations of the new statutory body.

Colin Smyth: However, the bill is silent on local accountability. Is that not a fair observation? It is clear on Government accountability, but when it comes to how we develop local accountability, it is silent. Is it enough simply to say that we hope that the agency will do that? Should the bill not place an obligation on the agency in that regard? Should mechanisms not be put in place to hold the body to account locally?

Fergus Ewing: I do not accept your characterisation of the bill. This is not a plot against local accountability. The aims of the agency are set out in section 5, and one of them is

“supporting community organisations to help them meet their communities’ needs.”

The south of Scotland economic partnership is already reaching out to communities. I think that it will be up to the agency to develop the best ways to do that given the unique geography and circumstances of Dumfries and Galloway and the Borders.

If the committee has particular suggestions or specific examples regarding how to set up a framework to deliver local accountability, I will be happy to work with you and consider whether these are matters for the bill, for the action plan or for the body itself. We are actively working on how to make the body as accountable as possible but, to be fair, it would really help to get specific suggestions about how we can best do that, rather than just general remarks on the topic.

Gail Ross: Will a member of the agency sit on the local community planning partnership, as happens with HIE?

Fergus Ewing: There will be close links with community planning. I am glad that Ms Ross has mentioned that because, in fairness to Mr Smyth, I should perhaps have mentioned that working with community planning partnerships will very much be a way of ensuring local accountability.

I will give an example from HIE that I know Mr Finnie is aware of and has an interest in—the funicular railway. HIE officials have been working with the local community in the area served by the funicular to navigate the very significant challenges that have arisen from certain structural problems, and what they are doing is a model of how to work with communities. HIE has received widespread recognition from community leaders—councillors and others—that it has reached out to the community and set up meetings to discuss something of real concern.

People do not really want to have a south of Scotland enterprise official chapping at their door for no reason, but when a problem or an issue arises, there is an expectation that an enterprise body should really get in about it—as I would say—and speak to people and hear what they have to say. The funicular is a difficult topic, but it is an excellent example of how community engagement should operate at that level.

The Convener: In the various evidence sessions that we have had, we have heard conflicting views on whether the two councils should be represented on the board. A representative from one of the councils thought that it was a bad idea, while a representative from the other council thought that it might be a good idea. Do you have a view?

Fergus Ewing: It would not be desirable for councils to have automatic positions on the board but of course councillors are welcome to apply for membership of the board and have their applications considered along with everybody else’s.

There are many public bodies that arguably have an interest in this, a perspective on it and a contribution to make. I think that our public appointments system is designed to pick the best

people who apply, and the real challenge is to get the best people to put their names forward in the first place. I think that Elaine Murray suggested that ministerial appointment was the way to go and, as a former minister, she will be aware of and familiar with the public appointments process.

Councillors play a part in many public bodies, such as Scottish Natural Heritage, and I know that Councillor Stephen Hagan from Orkney sits on the VisitScotland board. There are many examples of councillors playing an active part in many other public bodies, and I think that that is the model that we should follow.

Peter Chapman (North East Scotland) (Con):

The enterprise and skills review recommended the establishment of a strategic board to align and co-ordinate the activities of Scotland's enterprise and skills agencies. The board was created in November 2017 and published its strategic plan in November 2018, and the bill team confirmed that the south of Scotland agency would be part of it. Given the importance of the board to the Scottish Government's enterprise and skills reform agenda, why is there no mention of it in either the bill or the policy memorandum?

Fergus Ewing: As I understand it, the strategic board is not a creature of statute, but an arrangement that has been set up in partnership. Therefore, it does not appear in any act of Parliament. Of course, that is no reason for not mentioning it in the bill, if it is felt that doing so would be useful, but the arrangements for the strategic board—although I was not the minister who set it up; it was Keith Brown—are agreed and are informal. Both HIE and SOSE will automatically have a place on the strategic board and will be represented by, I think, the chairman and the chief executive. That is only right and proper.

11:15

You have raised an interesting point that I will check and pursue, just in case there is anything that I have missed. However, the answer is that the strategic board is not a creature of statute, so we would not expect it to appear in statutes. As far as I am aware, it was not necessary to amend the acts of Parliament that set up Scottish Enterprise and HIE, so there was no real need to mention the strategic board in the bill. That said, given that the committee has raised the point, we will give it further thought and come back to you if we have anything else to add.

Peter Chapman: I welcome the cabinet secretary's useful answer. Let us see where we end up.

What involvement will the Scottish Government have in setting and approving the new agency's

business plans and budgets? I would say that that subject is probably meatier than the last one I highlighted.

Fergus Ewing: Obviously, the Scottish Government, working with the Parliament, has responsibility for the budget, which we are acutely aware of at the moment. As with the budgets for Scottish Enterprise and Highlands and Islands Enterprise, the new agency's budget will be decided through the normal budget process. The action plan has to be prepared by SOSE, and it—and any modification to it—must be approved by ministers. That process exists for both Scottish Enterprise and HIE. It works fairly smoothly and, of course, parliamentary committees are entitled to—and do—hold me and the heads of those bodies to account whenever the occasion arises.

The action plan is the basis for the management of day-to-day operations and is an executive function that is—rightly, I think—performed by the statutory agencies involved, subject to oversight by the minister. Having that oversight ensures that the aims of the action plan are fulfilled and that the budget is deployed in the most effective manner to deliver those aims in the most effective way.

Peter Chapman: Do you have a figure in mind for what the new agency's budget is likely to be?

Fergus Ewing: We do—and not only in mind, but in writing. The detail is set out in the financial memorandum. The figures are the figures, and they are on the record.

That said, I will make two points. First, although different views were expressed on the matter, there was broad agreement that there should be an equivalence of budget between the south of Scotland agency and HIE. That was the broad conclusion reached by most people. Initially, people in the south of Scotland were perhaps concerned that they were—to put it bluntly—going to be short changed, but the commitment that the Scottish Government has made in principle in respect of the budget has assuaged any such concerns.

Secondly, there has to be a gradual assumption of responsibilities by the new agency, and we envisage that happening as follows: the new body has to be set up and then it has to acquire staff and premises, which will take time. It has to find its feet. The board will be appointed gradually, not in a oner. Therefore, it will take time before the agency is ready to fully assume its responsibilities and, equally, before it is ready to fully operate its budget.

I hope that I have kept those two points quite general. I am quite sure that the officials can fill in the rest of the time with more detail if the committee would like, and I am happy to answer any supplementary questions on the matter.

The Convener: We certainly do not need to fill in time. We have a lot of questions on the budget, which we will move on to now.

John Mason (Glasgow Shettleston) (SNP): Peter Chapman's question has taken us to the financial memorandum and the issue of comparability with HIE. Having recently passed the Islands (Scotland) Act 2018, we know that the islands, in particular, clearly face huge challenges, but there are challenges for the Highlands, too. For a start, it is a very remote area, with some places miles away from a railway or anything like that. Let me play the part of devil's advocate by suggesting that the issues in the south of Scotland are surely not of the same scale as those in the Highlands and Islands, so it is not justifiable to have the same funding per head in the south of Scotland.

Fergus Ewing: It is interesting to hear that observation from a Glasgow MSP. Broadly speaking, the consensus is correct that, in principle, there should be equivalence. The south of Scotland has many similarities with the Highlands and Islands in terms of sparsity of population, predominance of very small businesses and the number of very small communities. In that respect, it has more in common with the Highlands and Islands than with the central belt, where the composition of the population is entirely different.

The population density in the south of Scotland is 24 people per km², which makes it the most sparsely populated area outside the Highlands and Islands, and some 53 per cent of that population live in remote small towns. That is an entirely different situation from what is going on in the central belt. Mr Mason is well aware of issues of deprivation and poverty in general, and he works on them assiduously, but there is hidden poverty in rural areas. It is not so obvious—or, perhaps, so vocal—but it is there. Some of the most deprived areas are in rural parts of Scotland.

My last point is a general one: HIE has helped to promote the Highlands and Islands with regard to tourism, renewable energy and the use of its marine resource. Those have been big success stories. There is a feeling in the south of Scotland that, although they have had great success stories, they have not had the same coverage, air time or promotion. That is what has struck me at many engagements in the south of Scotland. Whether that view is right or wrong, having a budget at roughly the same level as that for HIE will, over time, allow the new body to do what HIE has helped to do in its more than five decades of existence. I hope—in fact, I am sure—that it will not take that long, but there is that feeling that the south of Scotland needs stronger recognition, and the budget is necessary to deliver on that.

John Mason: I completely agree with what the cabinet secretary has just said. It is a rural area; there is poverty in such areas; a lot of the area is very remote; and the issues that it faces are similar to those that HIE deals with. I agree with all of that.

However, it is a question of scale. Last Wednesday, we got to Galashiels in an hour on a perfectly good train and came back likewise. There is nowhere in the Highlands and Islands that I can get to from this Parliament within an hour.

It is also a question of degree. HIE has roughly one member of staff for every 1,500 members of the population, while Scottish Enterprise has about one for every 3,000. That is fine—I am happy with that. I agree that south of Scotland enterprise should have more than SE, but my question is whether it should have the same as HIE or whether it should come somewhere in the middle. Speaking as somebody from the central belt who is happy to support there being an emphasis on the south of Scotland, I just wonder whether it needs to be at the same level as HIE.

Fergus Ewing: No doubt the arguments will run and run, but our proposal is for broad equivalence. The proposed total budget allocation for 2020-21, 2021-22 and 2022-23 is £32 million, £37 million and £42 million respectively to reflect a gradual ramping up of responsibilities and to ensure that, once the agency is able to discharge them, it will have the budget to do so. It will be important for the new body to impress, act and make a difference quickly, which will show that it is worth while. We envisage a budget that will enable it to do that. I am confident that that will happen in a variety of ways, but I take the general points that the devil's advocate made.

The Convener: I would point out that, although we went down to Galashiels on a perfectly good train, half the committee members, like a huge amount of other people on it, had to stand. The train might have been good, but it was somewhat overcrowded—that is a phenomenal problem down there. However, we will pass over that.

Mike Rumbles (North East Scotland) (LD): When we were in Dumfries and Galashiels, the people from whom we took formal and informal evidence seemed tremendously confused about the £42 million that the cabinet secretary just mentioned. According to the financial memorandum, staff costs will be about £10 million, and the budget will build to £42 million, as the cabinet secretary said. Is that new money? That is the term that people used with us. Are we talking about additional money for setting up the agency, or is it money that would have been allocated to other agencies and to council development functions anyway? My question is simple, but

important: is the money new or does it come from other development budgets?

Fergus Ewing: The budgets for 2020 and 2021 have not been set so, in the strictest and purest terms, the money cannot come from any other budget, because there is none. A simple answer is that the £42 million, which would be the budget in year 3 of the agency's operation, represents an increase in the overall funding for the area.

Mr Rumbles makes the point that this is a new body. It will provide a function that we all believe could do a lot of good, but the amount of good that it can do will relate to how effectively it works with other bodies, particularly the councils. A key issue will be how the councils and the statutory body co-operate and how the business gateway services—which, as Mr Rumbles knows, are local authority led and are designed to assist smaller businesses—dovetail with the statutory body's activities.

That process and those relationships have been the subject of constructive and amicable discussion between the Scottish Government and the local authorities at a high level, but further discussion will be needed about how to get the best deal for the public and for all sizes of business. As a result, some people who work in local economic development roles in local authorities might decide to take up positions in the new agency. Whether local authorities will wish to continue as is or whether they will wish to reshape their economic development functions and departments is a matter for active discussion among all, to get the best overall outcome.

I hope that that gives an overview of the answer to Mr Rumbles's question. Overall, there will be an increase in the funding for economic development in the area.

Mike Rumbles: I can imagine that the funding would increase. My question is not critical; I am keen for the agency to succeed, and I think that the agency and the Government's bill are good. I am just trying to ensure that expectations are not being raised unduly among the people who gave evidence and with whom we have engaged. When I was in Galashiels with other committee members, I certainly felt that the understanding was that the money would all be extra.

You have just said that there will be more money, but some of it will be new money. I know that budgets have not been set for 2020 and that we will vote tomorrow on next year's budget, but can the cabinet secretary give us an idea of how much of the budget in question is new money, so that we can make it clear to people who have approached us on the matter?

11:30

Fergus Ewing: That computation would be extremely complex. This is not meant to be a Sir Humphrey concoction, but I am not sure that that statistical evidence is available in the form that the member seeks. That is because I am not sure that Scottish Enterprise has done a geographical analysis of the deployment of its budget over the years. Even if it had done so, such an analysis would show massively differing amounts of money, because large investments in one year might be followed by a lack of large investments in subsequent years.

Overall, there will be a quite substantial increase in funding for the area, but I am not able to say how much more it would be. However, we are listening to the points that the committee is making—after all, that is the point of accountability—and we will go back and have another look at that question in preparation for stage 2.

Lastly, I point out that it is up to us all to provide leadership in explaining the opportunities presented by the new body and communicating that locally. I am quite sure that that will be done and that an element of interest and expectation will, quite rightly, be engendered. We have to fulfil expectations once we raise them—that is one of our responsibilities.

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): An issue that has been brought up with the committee is that Scottish Enterprise will still have a role in the south of Scotland, but there seems to be a bit of confusion about that. I note that Scottish Enterprise, for example, will continue to be responsible for things such as regional selective assistance and the Scottish manufacturing advisory service in the south of Scotland. In her evidence to the committee, Dr Murray talked about having a memorandum of understanding between various agencies. Is that likely to be the most effective method of ensuring that there is good collaboration and neither underlap nor overlap?

Fergus Ewing: A memorandum of understanding is one way of doing it. You are right that Scottish Enterprise will have a continuing role in the south of Scotland, in the same way that Scottish Enterprise works with Highlands and Islands Enterprise in areas where it has the expertise, for example, through the Scottish manufacturing advisory service. There is no point in duplicating an expert range of services in every single economic development agency. The Scottish Investment Bank is another example, because one would not expect there to be three Scottish investment banks serving three economic areas that have their own development agency.

Whether collaboration is done through an MOU or other means, the key thing is effective joint working. Generally, that is a factor of how the chief executives, chairmen or chairwomen, ministers and officials all act together. There are many areas in which there is a shared, overlapping function between HIE and SE, for example. Where necessary, ad hoc arrangements are made; for example, a task force was set up for the Lochaber delivery group, which I chair and in which the Scottish Government works with Highland Council, HIE, Scottish Natural Heritage, the Scottish Environment Protection Agency and a variety of other bodies.

When needs must and there is a need to have collaborative working, it exists. An MOU is one way of doing it but, at the end of the day, it is the individuals involved who make these things work—or not, as the case may be. We are not a huge country, so being able to get everybody in a room is one of the advantages that we have over our good friends down south when it comes to tackling serious issues as they arise.

Stewart Stevenson: One of the balancing concerns that have been raised with the committee is about the additional bureaucracy that is associated with the introduction of a new board that is not displacing in entirety some existing services. How would the cabinet secretary respond to concerns that have been expressed about additional bureaucracy?

Fergus Ewing: An element of bureaucracy will always be with us. Sometimes, I wish that that were not the truth. The aim is to ensure that the body operates as efficiently as possible and that the rulebook is the servant, not the master. That is how things should operate—quickly and responsively and by going out to speak to people and find out what is happening. That is how things are achieved. If there are any specific examples of bureaucracy, I am happy to look into them and see what can be done about them.

The real problem of bureaucracy rests in more complex schemes and their administration. I hesitate to mention the common agricultural policy or the administration of forestry grant applications. However, in my experience, where one has a complex process for the administration of public money, the consequence tends to be that the process seems to take too long and becomes the object, rather than the fulfilment, of the process.

Although the administration of grant applications can sometimes give air to concerns and issues, I have not detected in many cases that bureaucracy is a significant issue with the enterprise functions, which tend to be more proactive and ad hoc in their arrangements.

We are all elected people. In part, we exist to hold public bodies to account, to get answers and to get things done as quickly and efficiently as they can be. That is an important and necessary part of the roles that we all fulfil.

Jamie Greene: Following Mr Stevenson's question, I note that there was genuine concern about the confusion over whether this agency will sit as another layer on top of Scottish Enterprise or whether it will sit alongside it. Given that there is some comparison between the aims and objectives of each agency and dubiety over whether any funds will be redirected from Scottish Enterprise to the new south of Scotland agency, does the cabinet secretary accept that there might be confusion over lines of accountability, given the objectives of each of the agencies?

Fergus Ewing: I do not see why there should be any such confusion. The two bodies will sit alongside each other; they will be equals. The south of Scotland body will not be subservient. There will be an equality of relationship. They are different bodies. SE will be bigger—it will have a bigger budget and it will serve a bigger population—but they will be equals. Scottish Enterprise will not run the new agency. The new agency will run itself and be the master of its own fate, and it will be accountable to ministers and Parliament.

The Convener: Those are all the questions that we have on that item. Huge expectations have been voiced for the bill, and the committee will have to reflect on its report. Thank you for your evidence and for the time that you and your team have given us this morning.

European Union (Withdrawal) Act 2018

Regulation (EC) No 1370/2007 (Public Service Obligations in Transport) (Amendment) (EU Exit) Regulations 2019

Agriculture (Transfer of Functions) (EU Exit) (No 2) Regulations 2019

Common Agricultural Policy (Financing, Management and Monitoring) (Miscellaneous Amendments) (EU Exit) Regulations 2019

Common Agricultural Policy (Financing, Management and Monitoring Supplementary Provisions) (Miscellaneous Amendments) (EU Exit) Regulations 2019

Common Fisheries Policy (Transfer of Functions) (EU Exit) Regulations 2019

11:38

The Convener: Item 3 is consideration of five consent notifications. All the statutory instruments are being laid in the UK Parliament, in relation to the European Union (Withdrawal Act) 2018.

One of the SIs is category A, two are category B and two are partly category B, to the extent that the transition from the EU to a UK framework would be a major and significant development. Are there any comments from the committee?

Stewart Stevenson: I have a small point to make about the regulations on the common agricultural policy and its replacement. The denomination in which the calculation of payments is made will continue to be euros even after EU exit, but I note that it is stated that that is only to make things easier in the transition year that will cover our being in the EU and our no longer being in it. Subsequently, the denomination in which the calculation is made will be changed. It is important to put that observation on the record, because others who read what the regulations will do might be slightly confused. In addition, not much information is provided about when and how the return to sterling would be achieved. Although I imagine that that is probably in someone's plan, the information that is in front of us does not set that out.

The Convener: As the committee is considering regulations on the CAP, I should make a declaration of interests: I am a member of a farming partnership. However, I do not intend to say anything on the regulations in question. Any

other member who intends to speak and who wishes to make a declaration of interests is welcome to do so.

Richard Lyle: I have noticed what could be a typing error or a mistake. On page 2 of paper REC/S5/19/4/4, reference is made to the "Agriculture (Transfer of Functions) (EU Exit) (No 2) Regulations 2018" but, on page 10, reference is made to the "Agriculture (Transfer of Functions) (EU Exit) (No 2) Regulations 2019".

It is interesting to note that we are talking about 127 amendments—an amazing number—including changes to regulations on wine and CAP financing, management and monitoring. With regard to the common fisheries policy regulations, 60 amendments are proposed, which people might want to analyse.

It would be interesting to find out whether the reference to different years that I mentioned relates to a changeover, or whether it is just a typo.

The Convener: We will check that out and get back to you.

Jamie Greene: My query relates to the statutory instrument on public service obligations in transport, which affects PSO services on rail, bus and tram. I believe that the rail aspects are a wholly reserved matter but that the areas of bus and tram might be devolved. Our note states that article 4 will limit the maximum duration of public service contracts to 10 years, but it does not say whether that is a change from the existing position. Does it represent an increase or a decrease in the current period, or just a continuation of it?

The Convener: A couple of points have been raised that require clarification. I am happy for the committee to write to the Government to seek that clarification.

On that basis, does the committee agree to write to the Scottish Government to confirm that it is content for consent to be given to the UK statutory instruments that are referred to in the notifications and to request a response from the Scottish Government on the wider policy matters that have been identified?

Members indicated agreement.

11:43

Meeting continued in private until 12:24.

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