



OFFICIAL REPORT
AITHISG OIFIGEIL

Rural Economy and Connectivity Committee

Wednesday 19 December 2018

Session 5



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RURAL ECONOMY AND CONNECTIVITY COMMITTEE

34th Meeting 2018, 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:

Chris Brodie (Skills Development Scotland)

Douglas Cowan (Highland and Islands Enterprise)

Michael Cross (Scottish Further and Higher Education Funding Council)

Steve Dunlop (Scottish Enterprise)

Malcolm Roughead (VisitScotland)

CLERK TO THE COMMITTEE

Steve Farrell

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Rural Economy and Connectivity Committee

Wednesday 19 December 2018

[The Convener opened the meeting at 10:01]

South of Scotland Enterprise Bill: Stage 1

The Convener (Edward Mountain): Good morning and welcome to the Rural Economy and Connectivity Committee's 34th meeting in 2018. I ask everyone to make sure that mobile phones are on silent—he says, reaching for his mobile phone to make sure that he has done so, which he has not. No apologies have been received.

Agenda item 1 is our third evidence session on the South of Scotland Enterprise Bill, and our witnesses today are from enterprise and development agencies. I welcome Steve Dunlop, chief executive of Scottish Enterprise; Douglas Cowan, director of strengthening communities at Highlands and Islands Enterprise; Chris Brodie, head of skills planning and sector development at Skills Development Scotland; Malcolm Roughead, chief executive of VisitScotland; and Michael Cross, director of access, skills and outcome agreements at the Scottish Further and Higher Education Funding Council.

Those of you who have given evidence previously will know that you do not need to touch any buttons—your microphones will become live when I bring you in. We have a big panel and this is a big committee, so it is a question of trying to manage the time. If you see my pen twitching vigorously, you will know that I am trying to get you to wind up. I am not sure what will happen if you ignore it, because no one has done that yet, but you should wind up in the interest of trying to get everyone in.

If you want to come in on a particular question, just look at me. Committee members might ask all of you to comment on a question. If you do not get the chance to come in, I will bring you in later. If you all look away, the last person to look away will be the person who answers the question first. I hope that I have set the ground rules. The first question is from John Finnie.

John Finnie (Highlands and Islands) (Green): The witnesses might have looked at the previous evidence, but I start by quoting a little passage from the résumé of the evidence that we took last time:

“It was felt, especially among the third sector witnesses, that support for social enterprises has been ‘minimal’ up to now. The view was expressed that because many of the enterprises in the South are small, often employing fewer than 5 people, that Scottish Enterprise is not interested in supporting them. There was also a belief that Scottish Enterprise—as well as other central-belt based organisations—do not have a grip or understanding of rural issues ... The Enterprise and Skills Review spoke about the area's ‘distinct economic needs’”.

What major economic and social challenges are faced by the south?

The Convener: Who would like to start? You are all looking away. That is always dangerous, but I was not paying attention to see the last person to look away.

Steve Dunlop (Scottish Enterprise): Scottish Enterprise is certainly interested in social enterprises. We have a dedicated and very capable resource that focuses on them. We see social enterprises through the same lens as any other business so, if a social enterprise is of scale and has growth potential, we will support it. We account manage 20 or so social enterprises, and about six of those are in the south of Scotland. We would like to see more activity in social enterprises and anything that we can do to allow them to grow is certainly on our agenda. We do not have anything against social enterprise—quite the contrary.

Scottish Enterprise has a resource that looks at the rural economy. That unit helps us to gather statistics and evidence, which then point us towards our investment in the rural economy. It will be vital to tap into that and grow it as the south of Scotland economic partnership grows. Has that unit done enough in the past? Has it been a major focus for us? We can talk and argue about that, but it is certainly there and it is something that we can build on.

Chris Brodie (Skills Development Scotland): We have been doing some work with the south of Scotland partnership and partners including the local authorities to understand the economy in the south of Scotland. I will offer a few remarks.

First, it is clear that the economy in the south of Scotland is different from the economy in the rest of Scotland. It has lots of jobs in sectors that have not been growing over the past five or six years—tourism is the exception to that. It is a pretty low-wage economy and it has the highest levels of underutilisation of skills. We think that that points to challenges for job creation in the south. It also faces a number of challenges that other rural areas face due to its digital infrastructure not being what it should and could be.

Secondly, there are challenges in relation to transport not just in and out of the region but, critically, within and across it. In our conversations

with employers and college and university students, we have found that transport is a major barrier to people accessing jobs and education.

Thirdly, the demographics of the region are challenging. No doubt we will move on to talk about that. The working-age population is expected to fall by about 8 per cent or 12,000 people over the next 10 years, and a big driver of that is that too many young people are leaving the region for work or study.

The final thing is that we must be careful not to see the south of Scotland as a homogenous whole. There are huge differences between how those issues play out in Dumfries, the north Borders and Stranraer, so a lot of the early work that we have been doing with the partnership has aimed to understand the different dynamics and what the agency might do around that.

John Finnie: Mr Dunlop, I wonder about the perception. In the evidence that I referred to, the view that was expressed was about social enterprise, but it is broader than just that. You qualified what you said by saying that Scottish Enterprise will support a social enterprise if it is of scale and it has growth potential. Is that in itself a challenge? It is perhaps seen that Scottish Enterprise deals with the top, more prestigious companies, whereas I am particularly interested in the social element of the new agency, which will be similar to that of HIE. Is it a presentational issue? Basically, has Scottish Enterprise failed the south? There might be a view that it has.

Steve Dunlop: There are a couple of questions there. I will come back to whether we have failed the south. Our criteria for helping a business, whether it is a social enterprise or any other type of business, have related to the size of the company, its capability to grow and whether it is in one of our priority territories, so that is where our energy and our investment have gone. Clearly, that has meant that not everyone can get the support that Scottish Enterprise has to offer. That has been true of all our investment across the patch. I will maybe talk about how we are going forward a bit later, but we will certainly be looking at how we begin to address the needs of the economy wherever issues are faced, and we will do that through different partnering arrangements. I will maybe develop that point later.

I challenge the suggestion that we have failed the south of Scotland. We have not done that. We have stuck to our investment priorities, and I would argue that we have performed well. Have we been doing the right things at the right time? I am going to try to address some of that as we move forward as part of the whole approach to creating a more systematic economy with our fellow partners. All of that will be up for rethought.

John Finnie: What do members of the panel see as the key strengths and assets of the south that can be built on?

Michael Cross (Scottish Further and Higher Education Funding Council): I suppose that I would say this because I am from the Scottish funding council, but we have two vibrant, powerful colleges in the south, in which we invest over £20 million, and they serve thousands of learners each year with a broad curricular offer. As has been acknowledged, they do so with imagination in a diverse region that is characterised by remote locations and rurality.

One of the terrific outcomes from the south of Scotland economic partnership, in which I think all of us on the panel are represented, is an investment in digital capacity for the two colleges. Throughout the south of Scotland, the colleges will be able to create a virtual hub of learning. We can think of it as three hubs from which 20 spokes will spin into different locations across the geography of the south, and those spokes will be sited in schools, businesses and community centres. Building on the capacity of the colleges and not having that locked down in a physical location but having a broad and diverse offer is a great opportunity that we can seize.

Douglas Cowan (Highland and Islands Enterprise): I will say a bit from the Highlands and Islands Enterprise perspective and will touch on the social elements as well. The strengthening communities and social development aspect has been key to what HIE has done since our predecessor organisation was set up 53 years ago, and it remains vital to what we do and how we do it today. It helps us to get to all parts of the region and it is particularly important in our more rural and remote areas, many of whose issues are mirrored in the south of Scotland.

Social enterprise is an important opportunity in remote communities. We account manage about 150 social enterprises across the Highlands and Islands, and about 40 of those are almost community account managed enterprises, where we work with whole communities, taking a concentrated, place-based approach. I see that approach as a real opportunity in the south of Scotland, particularly for the more remote and economically challenged parts.

Malcolm Roughead (VisitScotland): I will touch on the tourism aspect. Small businesses are the backbone of the tourism industry not just in the south but across the country. Down in the south, we work together—and we have done for a number of years—with over 2,000 businesses. The challenge is to get them to join up so that the total product offering is seamless for visitors to access. There is a rich tapestry of cultural and social events across the south of Scotland and,

with the main players down there, we are trying to join it up so that the south of Scotland becomes a year-round destination. One of the weaknesses is that tourism in the south is seasonal, as it is in certain other areas.

The south of Scotland has a fairly diversified business base. A lot of that stemmed from the foot-and-mouth outbreak all those years back, which members might remember. In particular, farms went into tourism, which meant that they started to engage with the food and drink industry down there, which has a rich offering. However, there are infrastructure, connectivity and skills challenges in the south. Almost 13 per cent of the workforce in Dumfries and Galloway is involved in tourism, and over 11 per cent in the Borders. We face a major challenge with skills shortages in the months and years ahead, and we need to ensure that tourism is seen as a career for young people who live in the area to adopt.

John Finnie: Thank you, panel.

The Convener: Members have a few follow-up questions.

Jamie Greene (West Scotland) (Con): My question is for Mr Brodie. Did you say that one economic pressure that is facing the area is an underutilisation of skills? Is that the phrase that you used? Will you explain what you mean by it? Underutilisation of skills is very different from a lack of necessary skills or available skills.

10:15

Chris Brodie: That is what I said. If you will allow me to go technical for a moment, skills underutilisation is where someone is working in a job at a level that is below the qualification that they hold. We track that across Scotland through the employer skills survey, and skills underutilisation is highlighted as a major issue in the analysis for the regional skills investment plan for the south of Scotland. Our sense is that that is a demand-side issue. The answer is not necessarily to say, "Let's skill people to lower levels." There is a challenge to do with the quality of work and jobs in the region.

Mike Rumbles (North East Scotland) (LD): I want to follow up on John Finnie's rather direct question to Steve Dunlop about whether Scottish Enterprise has failed the south of Scotland. Your response was, "No, we have not", but—forgive me—you would say that, wouldn't you? If you have not failed the south of Scotland, why are we looking at a bill that will set up a south of Scotland enterprise agency? Why is the demand there? Surely the bill will fill a gap, and surely Scottish Enterprise cannot just say, "Well, that's not our fault."

Steve Dunlop: Thank you for that. We have limited resources within which to work, and over the past 10 years we have focused those resources on sectors and on growing companies that we thought would have the maximum impact on growth for Scotland. On that basis, we have considered demands for our support and we have supported companies that have the capability to grow in certain places and sectors. Under that model, fewer of those companies have come from the south than have come from other parts of Scotland. That is a fact. It has meant that there is a gap, but we are not the only people who supply business support: there is business gateway and there are local authorities and so on.

However, we want to do more on place and the economies of place, and we are reorganising ourselves with a view to considering, first, how we promote Scotland and its regions and places on an international basis, and secondly how we participate much more fully in regional economic partnerships. Quite soon, Scotland will be covered by regional economic partnerships of one form or another, and I want Scottish Enterprise to be a full participant in those partnerships. We will move back into considering place. We cannot work nationally, regionally and locally, so we will need to partner with the south, with HIE—as we currently do—and with other regional economic partnerships on a systematic basis.

I recognise that there have been gaps in our provision. That is probably not unusual, given our limited resources. However, as we go forward, I will deploy our resources in a way that recognises the importance of regions. Our relationship with the emerging south of Scotland partnership will be key as we differentiate between what we do locally, regionally and nationally. I commit that, through our core skills on international business, business growth and many other things, Scottish Enterprise will continue to support the south fully.

Mike Rumbles: Thank you.

Maureen Watt (Aberdeen South and North Kincardine) (SNP): We have talked about rurality and agriculture. South-west Scotland has become—more or less—the hub of milk production, and there is huge potential for added value in that regard. What discussions have you had with the rural leaders forum about growing markets for milk and value-added milk products?

The Convener: Who wants to go first? Michael Cross, are you trying to catch my eye or avoid it?

Michael Cross: I was trying to avoid it, convener. I can give an answer to the question, but it is not terribly positive. I simply say that the SFC has had no such discussions. When we develop outcome agreements with colleges, we ask them to illustrate how they are responding to

the demands of businesses in the regions that they serve. I do not recall specific provision for dairying in either of the relevant outcome agreements, but I will check that for Maureen Watt and report back.

Steve Dunlop: It is a very specific question. I do not have the answer to it, but I would be delighted to find out and respond to you separately.

The Convener: On the basis that all the witnesses are definitely now looking away from me, we will move on to a question from John Mason.

John Mason (Glasgow Shettleston) (SNP): From our perspective, there are certainly some challenges in the south. For example, one figure that we have been given is that there are only 31 business start-ups per 10,000 people in Dumfries and Galloway, whereas the Scottish average is 50 per 10,000 people. As well as business start-ups, another challenge seems to be that there is a lack of medium and larger enterprises in the south of Scotland. Do you see those as the major challenges? Can you give any reasons why they are major challenges? Are there other challenges that you can identify?

Steve Dunlop: There is a lower start-up rate in the south. I would defer to business gateway colleagues on that front. The pipeline for that mechanism is not that strong either, so that is definitely a challenge for us.

Having said that, the companies that are started up seem to have greater resilience. The survival rate is ahead of that of most other parts of Scotland, which is good. There are many businesses and, as a proportion of the total, there are more businesses in the south that have 50-plus employees.

I think that one of my colleagues said that the picture is very mixed. It is not a homogenous place, but those underlying characteristics are indeed a challenge.

John Mason: Is it better to have a larger number of small and medium-sized businesses rather than one big business? We lost Pinneys of Scotland recently. Is having one big business a case of putting all your eggs in one basket?

Steve Dunlop: I would support an economy that is very adaptive and resilient to change. We see the consequences of having single major employers all the time. It is much more difficult for the economy to adapt when there are single major employers.

In regions in which there is a real diversity of many small and medium-sized businesses, the economy can adapt and flex. That is not to say that we do not want some major businesses

underpinning the economy. As with all things, it is about having a balance.

When I look at the statistics, I see that there is a culture of business and self-employment—albeit microbusiness—so there is something positive to work on there. We would be keen to support the new partnership in looking into that business base.

Another point—which is more of a reflection on what we do and what I would like to support the new agency in doing—is that we have been passive in the sense that businesses come to us looking for support. As an agency—I would certainly want to collaborate with the south on this—we need to go hunting and gathering for that talent, dig it out, spot where the talent is and wrap support around it. We need to go looking for talent in a much more proactive way. That is a culture change for us, which we need to step into.

I think that, over the next few years in particular, there will be lots of economic shocks, and we need a business base that is capable of responding. Businesses can respond only if we as a system—a collective—can give advice about what is coming their way and presenting a state of readiness. That is a systemic response that we are beginning to build much greater capability around.

John Mason: Does SDS react to where the needs are, or does it try to consciously encourage people to start up businesses?

Chris Brodie: We do not have a remit relating to business start-ups per se. The skills challenges that we face in the south with the number of very small microbusinesses there present a number of challenges for us. The first challenge is getting those employers to understand and articulate what they need in relation to future skills. That is often a problem. We have recognised that smaller companies often have challenges in accessing training for their staff and taking on apprenticeships in particular. We are currently piloting approaches across rural Scotland that look at things such as shared apprenticeships and host apprenticeship models, which allow smaller companies to fully participate in those programmes. We have also introduced a rural uplift around provision for modern apprenticeship training in rural areas. That is targeted at rural areas, but recognises some of the challenges that very small companies face.

John Mason: The point about young people leaving the area is true of a lot of rural areas. Do you have any comments on young people in the south of Scotland in particular and how more young people can be attracted in? I would be interested to hear Mr Cowan's views on what similarities and also what differences there are in

that regard between the Highlands and Islands and the south of Scotland.

The Convener: Before Douglas Cowan comes in, I note that Michael Cross was keen to answer the previous question. I am sorry that I did not bring him in in time. Does Michael Cross want to answer the previous question and also the one that John Mason has just asked, if he feels that he can contribute on that? I will then bring in Douglas Cowan.

Michael Cross: I will do so briefly; my response will perhaps touch on the follow-up question, as well.

As Chris Brodie said, skills provision with respect to business start-ups is important. Over the summer, in joint work between Skills Development Scotland and the Scottish Further and Higher Education Funding Council, we talked about the skills that we need to inculcate in learners of the future. The notion of enterprise and entrepreneurship and the capacity to have a can-do outlook are very much at the core of that ambition. Although that is not a direct response to the question “What are you doing to stimulate business start-ups?”, the skills supply side is on to that. That also relates to the point about helping to keep young people in the region.

Douglas Cowan: I agree with much of what Steve Dunlop said about the business base and the lack of large businesses. We see that in our part of the country as well, so there are many similarities. I guess that the answer is about being adaptive and resilient, as Steve Dunlop said.

Young people are a focus for Highlands and Islands Enterprise. We have seen significant growth in our population—it has grown by 23 per cent over the past 50-odd years, compared with 3 per cent growth in Scotland as a whole—but the demographics look particularly challenging. Our population is older than that of Scotland and it is getting older more quickly—in some areas more than others. It tends to be the case that the more rural an area is, the older the population is and the fewer young people there are.

I guess that the answer is to work with partners. Education is important, as are employment and career opportunities. It is about creating the conditions to attract and retain young people. We have done a fair bit of research on that over the years, and we think that we know what some of the key drivers are.

However, it goes beyond that. There are housing challenges in some areas, and we cannot attract people unless there is accommodation for them. There is a mix of issues, and things work differently in different parts of the Highlands and Islands. I suspect that the same applies in the south of Scotland. It is about finding local solutions

and working with partners to address the specific opportunities and challenges in local economies. Again, it is about taking a place-based approach, I am afraid.

John Mason: Your physical area is a lot bigger than the south of Scotland. If someone is in Lewis, they cannot get even to Inverness to shop or go to a college or whatever. As a central belt person, it seems to me that the challenges that the Highlands and Islands face are much greater than those that the south of Scotland faces. Is that your perspective too, or do you not want to say that?

Douglas Cowan: The geography is bigger, the population is smaller and the population density is significantly lower in the Highlands and Islands compared with the south of Scotland. The only place in Europe that is comparable to the Highlands and Islands is northern Scandinavia. We have different challenges in terms of population density and the islands. Having 90-ish inhabited islands adds to the challenge.

Part of the response to that a while ago was the creation of the University of the Highlands and Islands and the remote learning model to provide greater access across a greater part of the region. That has clearly had a significant impact. Again, the answers in the south of Scotland will be different because the geography and the issues are different, but that model is certainly worth looking at.

Chris Brodie: We talked to school and college students through the summer and the autumn to try to get a sense of why so many young people leave the area. It is fair to say that there are push factors and pull factors. We hear that it is about the lack of availability of higher education and that people feel the need to leave the region to study. There is a perception that there is a lack of good-quality jobs in the region and a sense that people need to leave in order to get ahead. It is also fair to say that there is a lack of awareness and understanding of the really good jobs that exist in the region. Therefore, there is a job of work to be done there.

10:30

On the pull side, young people cite the attractions of city living and the university experience and all that they bring. That is a given, and it is hard to mitigate. What we can do about it is a really interesting question. We should not try to build a wall around the region and say that people cannot leave. Many things can be done, some of which are already under way. We can broaden the opportunities to stay, whether through apprenticeships or access to college provision, which Michael Cross talked about. Places can be made more attractive for people to live in.

Douglas Cowan mentioned work that we are doing in the Highlands and Islands. We are currently doing interesting work with Western Isles Council. Every secondary 5 and 6 student is being offered a foundation apprenticeship that is linked to a local job and, critically, to access to housing. That is about overcoming some of the barriers that do not relate to skills.

Finally, a critical role for the agencies will be to make the region an attractive place for people to come back to to live and work in, if they have gone away to study.

There is no single answer, but I counsel against trying to build a wall around the region and saying that people should not leave. In some cases, people leaving can be a good thing, if they come back.

Steve Dunlop: I will pick up and build on what Chris Brodie has said.

For us, having more and better jobs and accessible and visible jobs is clearly the answer. I go back to John Mason's point about major employers. I hope that, not too far in the future, we can build regional prospectuses, that each of those prospectuses will add up to a prospectus for Scotland as a whole, and that that prospectus will be handed into our international sales force through Scottish Development International and sold internationally, whether for foreign direct investment, exports or human or financial capital. That would glue together all our Scottish capability in international markets. At the heart of the approach would be having a prospectus that says, "Here is what the south has to offer." In that prospectus, there should be genuinely investable projects that deal with the complexity of making a place and join up all the opportunities. We want to progress that approach very quickly across the network in Scotland and therefore make it much easier to attract foreign direct investment of all scales to give us a chance to create more and better jobs.

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): It has been suggested to me that one issue that relates to retention but more probably to attracting younger—if not young—people back to rural areas is partner preference and employment needs. In other words, someone whom we might want to get back to an area might have a partner who has a set of needs that cannot be met. I wonder about the extent to which the witnesses are addressing that issue. If the partner can be helped to find a position and have their needs met, there will be a two-for-one offer—that has just been whispered in my ear; I suppose that that is a reasonable way to put it. I do not want to go too far down the rabbit hole, but am I correct in assuming that that is part of the issue? Is anyone addressing that?

Douglas Cowan: We have picked up similar issues. Population issues are a priority in a couple of the community planning partnerships in our area. In particular, the Outer Hebrides is looking at a number of interventions with regard to population. I am pretty sure that one of those is concerned with how to join the dots to help the partners of people who are moving in to find appropriate employment. I do not know more details about that, but that has certainly been looked at in the Outer Hebrides and possibly in other areas. There is awareness of the issue, but that is quite difficult to do.

Colin Smyth (South Scotland) (Lab): Good morning, panel. I will follow up on the questions about young people leaving the region. I appreciate that there are push and pull factors, but probably the single biggest challenge that we face is the demographics of the region. It is partly that people are leaving the region and partly that people are not being given the opportunities to come back to the region if they wish to. Does that not expose the failure of the existing agencies to support the south of Scotland?

I will pick up the point that Michael Cross made earlier about the investment that the new south of Scotland economic partnership is making in local colleges. We have a challenge in Dumfries and Galloway, because the number of people of working age with no skills at all in the south of Scotland is twice the number in the Highlands and Islands. It is not just a rural issue but a specific south of Scotland issue, which the existing agencies are not tackling. Is it not a criticism of the funding council to say that it took the new partnership to make that big investment? We do not have a south of Scotland university, but we have a Highlands and Islands university. Fortunately, the Crichton university campus is starting to show incremental growth, but that is not at a level that would make it attractive enough to get young people to stay in the region. Should the funding council not be tackling that?

The Convener: I will give everyone fair warning. Michael Cross can go first, Chris Brodie can go second and I will let Steve Dunlop come in at the end.

Michael Cross: The creation of the hub and spoke model is not a failing of the funding council. The fact is that there is limited resource, as Steve Dunlop said earlier, and we try to distribute it as fairly as we can across colleges and universities throughout the country. That said, the priorities that we adopt for that resource are changing. Increasingly, we are asking our colleges and universities to focus on upskilling to deliver more accessible chunks of learning to those who are already in work so that they can develop their skills.

Chris Brodie is right to say that there is not enough of this, but we have a wide range of HE provision in the south. As you note, the Crichton partnership, which is led by Barbara Kelly, who is an ardent supporter of the south of Scotland partnership, and which has representation from the University of the West of Scotland, the University of Glasgow and the Open University, is a vibrant presence in the region that works with the two colleges. In the east, there is the equally vibrant offer from Heriot-Watt University. If Mr Smyth is asking whether we can do more, the answer is that yes, we can, and we will focus on that.

Chris Brodie: I return briefly to my initial remarks about the reasons why young people leave. There is no single reason for that and, therefore, looking for a single solution to adopt to fix the problem will probably not get us where we need to be.

We did some work with Highlands and Islands Enterprise about four years ago on that very issue and we got to an interesting place: there is absolutely a role for broadening the HE and apprenticeship offer in the Highlands and Islands to encourage people to stay, but we also have to look at the extent to which we use that offer and at providing good-quality jobs to bring people into the region.

The demographic challenge is stark. In the next 20 years, the south of Scotland is likely to have one of the country's highest dependency ratios of people out of work to people in work. That requires a focus that goes beyond young people and looks at what we are doing to keep people in the workforce, keep them healthy, connect them to jobs and, as Michael Cross said, upskill and reskill them so that they have opportunities to be part of the workforce longer into their careers.

Colin Smyth: On that point, have the products that SDS has been delivering across Scotland in the past few years met the needs of the south of Scotland?

Chris Brodie: Our primary product is the modern apprenticeship programme. When Skills Development Scotland was formed in 2008, we delivered 500 MAs across the south of Scotland. Last year, we delivered nearly 1,400 MA starts across the region. Those modern apprenticeships are determined by demand: if there is a demand from employers, we will fund it.

We have been working hard to establish foundation apprenticeships in the region. It is fair to say that we have a toehold. We have not quite got to where we would like to get to, but we are working hard with the local authorities and the colleges to see how we can broaden the apprenticeships offer in the region.

Steve Dunlop: We support around 110 account managed companies in the south, but we have also helped more than 220 companies with regard to exporting and invested in 150 companies with regard to their capability to innovate. At the heart of all that activity is encouraging, persuading and investing in companies to drive up their leadership, management and skills capability. That is about us trying to stimulate demand for the right type of skills, and it points to our need to continue to work together with a more systematic approach.

Colin Smyth: What proportion of Scottish Enterprise resources are invested in the south of Scotland?

Steve Dunlop: It goes up and down every year, subject to demand. Last year, we spent around £4 million in the south of Scotland, and the year before that, it was around £5 million. I have tracked the spend and the level is fairly consistent. That is the money that goes directly into companies in the south. It does not account for the cost of the headquarters and the 60 members of staff who are based there, and it does not track the level of investment that we make in companies that are headquartered elsewhere but deploy labour in the south. Those are the figures at base level.

Colin Smyth: What is the overall percentage of your resources that supports the economy in the south of Scotland?

Steve Dunlop: It would be very difficult to say. We do not account in those terms, so if I gave you a figure, it would most likely be wrong. I am happy to give you different strands of figures, which might help to build a picture.

Colin Smyth: The way that I look at it is that the population of the south of Scotland as defined by the bill—that is, the Scottish Borders and Dumfries and Galloway—is about 5 per cent of the population of Scotland. Do you spend as much as 5 per cent of your overall budget in support of the south of Scotland?

Steve Dunlop: Yes, I think so.

Colin Smyth: At the moment, £3 million to £4 million is about 1 per cent of your budget.

Steve Dunlop: Yes, but our budget is complicated. As I said, I am very happy to give you the detail behind it. We are able to say that our spend in some areas is proportionate to our spend in other areas. In some areas, it is more and, in others, it is less.

Colin Smyth: Earlier, you touched on the criteria for your investment in businesses, such as their capability to grow, their size and the sector. Clearly, that rules out a huge number of businesses in the south of Scotland, because, with the best will in the world, regenerating Stranraer

waterfront will not grow the Scottish economy. However, it will grow the Wigtownshire economy, which is really struggling. Frankly, that is not your role, so is that a failure by Scottish Enterprise, or is it a failure of the direction that you are given at a national level as to what your priorities should be?

Steve Dunlop: I am uncomfortable talking about that in relation to failure. As an organisation, we have prioritised where our investment should go and we have followed that. It is true to say that, over the past 10 years, we have got out of regeneration and investing in physical places, but there is a role for us if we go back into that space. Equally, there is a role for the emerging south of Scotland partnership in that space. It is an area in which we can partner, and that partnership will be driven by the scale of the opportunity.

Colin Smyth: I have a final question on that. One issue that has been raised is about the boundary of the new agency, which is the Scottish Borders and Dumfries and Galloway—there are strong reasons for that. If the agency's role is to fill the gap around place and regeneration that has not been filled by Scottish Enterprise, what will you do for areas such as south Clydesdale and south Ayrshire that are not within the boundary of the new partnership? Will you have to change your focus? A lot of the challenges that those areas face are similar to the challenges for the Borders and Dumfries and Galloway.

Steve Dunlop: As I said earlier, in the not-too-distant future, Scotland will be covered by different forms of economic partnership, whether driven by city deals or growth deals. The Ayrshires have a growth deal, and we will participate with the Ayrshires in that deal. The solutions that we partner with the regional economic partnerships will vary subject to what the economy needs of us.

I am interested in us as an agency beginning to ask the question of what the economy needs of us, rather than what we are prepared to offer it. I think that what the Ayrshires will require from us might be different from what is required in the Aberdeen or Edinburgh communities. I am prepared for us to begin to flex and change, and to focus on what is required from us in those circumstances.

The Convener: Colin Smyth will have to apologise to Jamie Greene after the meeting for taking a question that Jamie wanted to ask.

10:45

Stewart Stevenson: We have had some discussion about Scottish Enterprise's account management and I want to develop that a little bit, though not at huge depth.

I have heard that there will be a shift in the approach, which will create more flexibility, and we have also heard that significant support has been given to companies that are not account managed. It would be useful to understand how the non-account managed part of what Scottish Enterprise has been doing will be managed in the future. In particular, we heard that companies that are headquartered elsewhere are often supported. If a headquarters is, for the sake of argument, in Perth, but the main employment is in the Borders, how will that work in the future? Will it be led by Scottish Enterprise or the new agency? In other words, how has account management been working, particularly in the south? Has it been flexible enough? How will it work in the future? I am looking for a relatively concise answer.

The Convener: To a relatively long question. That is probably for Steve Dunlop, and Douglas Cowan may want to contribute briefly to the short answer.

Steve Dunlop: Our approach is to look at companies of a certain scale and make-up that we believe could grow and stimulate Scotland's economy. We recognise that many companies have been left outwith that arrangement. We plan to create a digital platform, along with our partner agencies, giving all businesses across Scotland access to high-quality business support and quick access to grants through that system. That will mean that, in partnership, we reach more businesses and support them more consistently, in many ways.

That will free up our human capability and capacity to focus on the companies that we think can deliver the best outcomes for Scotland. However, we will not restrict ourselves to certain sectors or areas. We will open that up and be more opportunity driven. We will work hard with our partner agencies to work out where the hand-offs are. Those happen already between business gateway and Scottish Enterprise, and between HIE and SE; they happen day in and day out and we need to make that more transparent.

Douglas Cowan: Frequently, with business clients that have growth potential and where we share geography in some way, we engage by working through account teams. There will be a lead, which may be in HIE or SE, and other support around that. We have been working collaboratively like that for a number of years. An example that I know well is Arran Aromatics. Arran is in the Highlands and Islands, but the company has premises in the central belt, and we work closely and collaboratively in supporting that client.

Maureen Watt: Can I get a sense of the current footprint of Scottish Enterprise in the Borders and Dumfries and Galloway? You said that you have

60 staff at headquarters. What do you currently have in the south of Scotland?

Steve Dunlop: We have two offices—one in Selkirk and one in Dumfries and Galloway.

Maureen Watt: Whereabouts is that?

Steve Dunlop: It is a shared office. I have been there but I cannot tell you the address. Those are the two assets that we have at the moment. The people in those offices work for Scottish Enterprise, but in some places they share space with business gateway, and they deliver a range of national services for us.

Maureen Watt: Are the 60 staff in one of those offices or across the south of Scotland?

Steve Dunlop: They are across both of them—40 and 20, roughly speaking; they move around. As I say, those people are delivering pan-Scotland services. Although they are at HQ, we have very flexible working arrangements and 11 offices across Scotland. People move, subject to their workload and subject matter.

Maureen Watt: At the beginning, John Finnie briefly mentioned social enterprise support. You said that Scottish Enterprise has 20 account managed social enterprises across Scotland, six of which are in the south of Scotland. Can you tell me what sectors those six are in?

Steve Dunlop: I know that two of them are housing associations, but I cannot remember what the others are.

Maureen Watt: An issue that came up in a previous evidence session was the fact that other businesses regard social enterprises as organisations that will do something for very little money, instead of giving them due weight and the respect that they deserve. How can the new body help to grow social enterprises?

Steve Dunlop: I would not agree with that distinction. Some of the most innovative businesses in Scotland at the moment are social enterprises. I think that they do good by doing good business. They are not charities—they are businesses. That is why, when we view a social enterprise, we view it as a business.

As I said, we have excellent capability when it comes to growing the scale and ambition of the social enterprise sector. I would be very uncomfortable about categorising social enterprises as organisations that do not do business in the way that other businesses do. There is a huge talent base in Scotland in social enterprise—we see that every day—and we will continue to support the sector.

Maureen Watt: Are there social enterprises in the Highlands and Islands that could be replicated in the south of Scotland?

Douglas Cowan: I would think that there is scope for that to happen. The social enterprise sector is particularly strong in the Highlands and Islands. We have a disproportionately large number of social enterprises, and they add significantly to the economy—I think that social enterprise delivers £144 million-worth of gross value added to the Highlands and Islands economy.

A census on social enterprise in Scotland was carried out in 2017. We asked for some of the data for the south of Scotland to be pulled out through the work of the south of Scotland economic partnership. According to that data, there were 441 social enterprises in the south of Scotland at the time, which delivered more than £70 million-worth of GVA, so there is certainly something there to work with. I think that there is an opportunity for the new agency to engage with that sector in a different way from the way in which it has been engaged with in the past.

Maureen Watt: Has the success of the social enterprise sector been helped by a gradual shift in the way in which land is owned in the Highlands compared with how it is owned in the south of Scotland, where there are quite a few very large landowners?

Douglas Cowan: That might be part—but not, I suspect, a massive part—of it. Land reform has certainly made a bigger difference in some parts of the Highlands and Islands than it has in others.

We look after the Scottish land fund. When I looked at the Scottish land fund data, I saw that the third-largest number of inquiries per local authority is in Dumfries and Galloway at the moment, so in parts of the south, at least, there is quite a lot of interest in communities acquiring land and assets.

The Convener: The next question is from Jamie Greene.

Jamie Greene: I will do my best to recover my question. I want to pursue the same theme. I will try not to stray on to the issue of reallocation of staff and resources, on which I know that a question will be asked later, although it might be a good place to kick off that conversation.

The Convener: You would be perfectly entitled to stray into that area, given that your question was taken from you.

Jamie Greene: The panel has on it representatives of a number of national agencies that have a remit that extends across Scotland, including the south of Scotland and the bordering areas that Colin Smyth talked about. When the new agency comes into play, is it your expectation that the staff and resources that you have deployed in the south at the moment will be

reallocated? Will you be able to redeploy some of those staff and targeted resources to surrounding areas, such as the Ayrshires, which will not be under the remit of the new agency but might benefit from increased focus from your agencies?

Malcolm Roughead: As a national agency, we have 12 offices across Scotland, two of which are in the south of Scotland—one at Whitesands in Dumfries and one in Selkirk—so we already have a resource there. We will look to contract with the south of Scotland agency to consider how we can deliver for tourism, not necessarily by increasing head count but perhaps by utilising the resources and skill sets that already exist in VisitScotland and making those available to the new agency. As I mentioned, we work with more than 2,000 businesses in the south of Scotland and more than 540 are in the quality assurance scheme. We already have broad coverage in the area. We are also delivering the see south Scotland marketing campaign. It is not necessarily about physically moving people, but about utilising the resource.

Jamie Greene: Before other witnesses come in, perhaps I could be more specific. I appreciate that you all already work in the south of Scotland—that is the point of my question. If the new agency deploys additional resource and capital in the area, will that free up any resource, finance or capital from your agencies that you will be able to redeploy into the surrounding areas that will not benefit from the new agency? That is my specific question.

Michael Cross: The Scottish funding council is a headquarters-based organisation operating out of Edinburgh. We will have no staff to deploy to the new agency and it will not free up any staff. A related point is that, as a result of the creation of the new agency, we have appointed a new member of staff at assistant director level to manage the region as an entity. That will take some additional resource in the early years of the new agency.

Steve Dunlop: It is simply too early for us to say how our staff in the south will be deployed. As I said in answer to a previous question, the 60 staff whom we have in the south work for us on a programme that serves all of Scotland. Some of those folks serve all of Scotland and deal with issues that will be retained by Scottish Enterprise. It is simply too early to make those kinds of calculations or assumptions. We absolutely want to take all the staff in Scottish Enterprise with us, along with the trade unions, and have positive discussions with the emerging agency. It is simply too early to say.

On your point about how we support other regions and places, as I said, I am keen and willing for us to begin to examine how we deploy our account management, business support and

support for exports in the regions where there is a demand for those services. That does not mean that we will move back to what we did before as local economic agencies that had dedicated offices in places that served only those places, but we will be more focused on how we support the regions. I want to keep an open mind on how best to make use of our human capital in that respect.

Chris Brodie: We have 45 staff who are based in the region, most of whom work in schools as careers advisers or in one of our careers centres. In a sense, they are already based in the region. I have a team of about half a dozen staff who are all based in Glasgow, Edinburgh or the north of Scotland and who support me in the work that we are doing to develop the regional skills investment plan. I am clear that, when the agency comes into view, we will still have our local staff working in the region and we will support the agency through some of the national teams that I manage. We invest about £7 million in the region in staff, property and apprenticeship funding, and we see that staying. We do not see the agency as duplicating or replacing what we do; we see it as an important complement to what we do. The agency has an important role in helping to change the dynamic of the economy in the south and, from a very parochial point of view, in helping us with some of our ambitions on skills, which we share with the funding council.

11:00

Jamie Greene: Is it therefore the case that you see the new agency's work as being in addition to all the work that you currently do and not instead of it in any way?

Chris Brodie: I do not speak for others, but certainly from a Skills Development Scotland perspective that is absolutely how we see the work of the new agency. I am a member of the SOSEP board, and a strong theme for us is that the new agency is not about replacing or taking away. The problems of the south are deep seated and will require a long-term commitment from all the partners around this table.

Steve Dunlop: I echo that point. We will still serve all of Scotland from the south, so the new agency's work will be in addition to that, and there will be partnership. There will be some areas where we will partner very closely.

Gail Ross (Caithness, Sutherland and Ross) (SNP): Good morning, panel. I have a question for Malcolm Roughead. As you will know, and as Douglas Cowan will be very aware, the north coast 500 route in the Highlands has been extremely successful, but is not without its challenges. It has been suggested that something like that might also work in the south of Scotland. I do not know

whether that idea has been explored. Obviously, HIE does not lead on the NC 500; a private company does so. Has a similar idea for the south of Scotland been discussed? Is it possible? Would it be welcomed and would it work?

Malcolm Roughead: Yes. The key learnings from the success of the NC 500 have been taken on board. There is no shortage of trails being developed across the whole of Scotland but, to my mind, that idea has potential for the Borders and Dumfries and Galloway in terms of slow touring rather than racing round that part of the country. The average length of stay of a visitor in the south of Scotland is 4.3 nights, but the average in Scotland is 7.2 nights. If we get the infrastructure in place and take the learnings from the NC 500, such as having passing places and ensuring that facilities are all in play at the same time, there is a great opportunity. I would like that area to take the lead in electric vehicles, for example, so that it could do something very different and position itself as a destination apart from the rest of Scotland.

Gail Ross: I put on the record that we are trying to promote the NC 500 as a slow touring route rather than as a race track.

Malcolm Roughead: Keep the potholes.

The Convener: It sounds like you are trying to promote competition to it, Mr Roughead.

John Finnie has signalled that he wants to come in. On the basis that it is Christmas, he can do so.

John Finnie: You are very kind, convener. Mr Roughead, you have obviously taken cognisance of all the deficiencies in aspects of the NC 500, the most significant of which was that people felt that it was something that was imposed on communities. There are many communities, particularly in Wester Ross, whose citizens find it difficult to understand what the benefit of the NC 500 is, particularly as there have been a lot of challenges. Further, I am sure that you are alert to the fact that, regardless of the mode of propulsion—electric or whatever—we still get traffic congestion. I would like an assurance that you are alert to all the downsides of the heavily promoted NC 500.

The Convener: Malcolm, you can give a very brief answer, because I am not sure that the NC 500 is specifically included in the bill.

Malcolm Roughead: Very briefly, we have done an analysis of what we can do better and what we can learn from.

The Convener: I am now thinking about that question and answer, but Richard Lyle can come in anyway.

Richard Lyle (Uddingston and Bellshill) (SNP): I thought that that was a constituency question, but anyway.

The Convener: I thought that it was, but—

Richard Lyle: That is just a joke from a couple weeks ago.

The Convener: I did think that it was a constituency question, which is why I was very thankful that Malcolm Roughead did not say that there was a way that he could do the north coast 500 better in the south of Scotland. However, Richard Lyle now has a question.

Richard Lyle: The bill makes provision for the Scottish Government to appoint a chair and members of the south of Scotland enterprise board but does not specify what skills and experience are required of them. My experience is that everybody wants to be on the board. Given your experience, who would you suggest should be on the board? Should it include people from small businesses, such as family-run enterprises; people from the third sector and trade unions; and young people? What are your boards like in that respect?

The Convener: That question could be for everyone but we could end up repeating ourselves. Let us start with Steve Dunlop and work along the panel. Who are some of the people you think should be on the board?

Steve Dunlop: That is clearly a matter for ministers. They have all the experience in that so I will not speak to how the board should be made up.

My experience of the boards that I have worked with, under and on is that they are diverse and balanced. They understand what the organisation needs of them, but not necessarily what the skill set is that they bring. They very quickly form cohesive teams to deal with complex and challenging issues that can sometimes face opposite ways. For me, therefore, diversity and balance across all those issues is a good thing.

Douglas Cowan: A board needs a broad range of skills, knowledge and experience, including a knowledge of the area, as well as an overall balance in terms of diversity and equalities. I say that rather than naming individuals.

Chris Brodie: I echo Steve Dunlop's initial comment that this is ultimately a matter for ministers. I refer to the experience of the SOSEP board that has been formed for the period between the announcement of the agency and its establishment. It has a mix of public sector partners and, critically, private sector partners. It has people of and from the area who know the area. One of the interesting things that Russel Griggs has tried to do is to make the board reach

out to groups and communities that would not normally find themselves around such tables.

SDS has established a youth board. Finding a way to allow the voices of young people to be heard around the agency will be important in the future.

Malcolm Roughead: I totally agree with everything that has been said. Once a direction has been set, we can look at the skill set that will be required to assist the executive team, however it looks, to deliver the strategy and policy.

Michael Cross: We have run out of things to say, convener. I agree with everything that has been said. It is clearly a matter for Scottish ministers. I agree with the characteristics that colleagues have defined. To those I add that there needs to be an understanding of the big picture or the strategic objective of board, and a commitment to its mission. That commitment is important, and it is a feature of SFC's board.

The Convener: Can you just clarify for the committee—I know that Richard Lyle would like to push you on this—that the issue is not so much about what business or business sector someone comes from, and that it is more important that a person has the right skills and a knowledge of the area than that they come from the third sector, a trade union or a small business or whatever? I see that everyone is nodding.

Douglas Cowan: The only exception to that is that a board needs a broad mix.

Richard Lyle: A board needs people who know what they are doing, are interested in the area and have an interest in driving the organisation forward.

With the greatest respect to Steve Dunlop, the question was asked earlier about Scottish Enterprise failing the south of Scotland. However, we also have to remember that there are councils in Scotland that do a lot of business and work with businesses. Given that business gateway provides support for new and existing businesses, and that councils and organisations such as Skills Development Scotland deal with businesses, how can we ensure that the business support landscape does not become cluttered with this new enterprise agency and that it is the sole agency that drives businesses forward? How do we avoid that cluttered landscape and possible duplication?

The Convener: Steve Dunlop, do you want to take that? I expect that Douglas Cowan will have some comments to make from HIE's experience.

Steve Dunlop: For the past few years, a strategic board has brought together the family of agencies that focus on these issues—Scottish Enterprise, HIE, the emerging south of Scotland

economic partnership in its current form, Skills Development Scotland and the Scottish funding council. That has solely been about driving that interrelationship and cohesion to ensure that we do not work as separate organisations, but instead become a system. I am confident that we have made great strides in that direction and that we will continue to do so. Through that approach, we have agreed that one of the priorities is to involve, engage and manage that interface with local authorities, particularly through business gateway. That is why I spoke earlier about the creation of a single-stop digital platform, which we will share with all those partners.

I am extremely confident that we will see a less cluttered landscape. I expect the hand-offs and sharing of resource to be invisible to the customer—people should simply see the system and wherever they come into it, they should get excellent service. We are all committed to delivering that.

In many ways, the south of Scotland is fresh ground where we can begin to model new economic development approaches and be comfortable taking risks. We should consider the south of Scotland as a pioneering area that we can all learn from.

Richard Lyle: Before we hear from other witnesses, and while we have you here, Mr Dunlop, one of my concerns is that the new agency will not have the same powers. Perhaps this question should be for Douglas Cowan—

Peter Chapman (North East Scotland) (Con): That is my question.

Richard Lyle: Am I straying into someone else's question, convener?

The Convener: You are indeed. There is a sort of festive spirit of people taking everyone else's questions.

Richard Lyle: I withdraw it.

The Convener: I will let Douglas Cowan answer the previous question and then let Peter Chapman ask his question in due course.

Douglas Cowan: I pretty much agree with Steve Dunlop. The work of the enterprise and skills review and the board is to try to streamline access to services and make that all work better.

From my perspective, the relationship with business gateway works best when there is collocation. I see that that is one of the principles of the new south of Scotland agency. I support that because it is a way to help things to work smoothly.

The Convener: I am happy to let other people come in, but you are all nodding, so it seems as

though you agree. Does anyone have anything specific to add?

Chris Brodie: I completely agree with what Steve Dunlop and Douglas Cowan have just said, so rather than repeat that, I will offer two specific examples of our attempts to declutter the landscape. First, we have just agreed with Scottish Enterprise that we will operate a shared customer relationship management system across both agencies for the first time. We expect that to be something that the south of Scotland agency will be interested in. Secondly—I am going to get into trouble for mentioning the B word—over the last six months we have been working across Scottish Enterprise, HIE, the funding council and VisitScotland to develop a prepare-for-Brexit campaign. That was launched six weeks ago and it draws together the knowledge and expertise of the respective agencies into one portal. That must be the way forward.

Peter Chapman: I have a couple of questions, following on from Richard Lyle's comment. I remain to be convinced of what the new body can give to the area. Given that many of the bodies that are represented here will continue to represent the south, and given that the core aims of the new body are really nothing new—supporting inclusive economic growth, providing, maintaining and safeguarding employment, enhancing skills and so on—is there a danger that we are just inventing a body for the sake of it that will replicate what is already there?

Michael Cross: One of the things that struck me was the momentum that Russel Griggs and Rob Dickson have lent to the agenda. They have convened the right stakeholders around one table and have developed a clear focus on accelerating growth in the south of Scotland.

As I said earlier, the funding council has devoted a member of staff to tackling the two colleges as operators in one region. We have also seen the new articulation agreement—that is the technical term—between Dumfries and Galloway College and Glasgow School of Art. Those things may have happened in time, but the creation of the new agency has lent the focus that has accelerated that progress. I am quite optimistic about the prospects.

Peter Chapman: Does anyone else want to comment on that?

The Convener: Steve, I am surprised that you are not commenting.

11:15

Steve Dunlop: I am interested in thinking horizontally across all the agencies to see how they can work in a more seamless, integrated and

joined-up way. I think that we have begun that journey, but that system has to be applied at local, regional and national levels. I think that, in the south of Scotland, we are seeing that focus being brought to some of those fundamental challenges that we spoke about earlier. I therefore think that, when the capacity that is being brought in focuses on the south of Scotland, it will make a difference. It is not about cluttering or substitution, because it can add value. However, it is important that we work cohesively on the hand-offs. When we are presenting the south of Scotland to the international market, I think that we can add a lot of value and layers. We need to be careful, though, that we do not trip over one another.

Peter Chapman: We will leave that there. The committee has also heard that the new agency will not be given certain powers that Scottish Enterprise and Highlands and Islands Enterprise have, such as compulsory purchase and information request powers. Has either Scottish Enterprise or Highlands and Islands Enterprise ever used those powers? Is there any concern that the new agency will be disadvantaged because it does not have them?

Steve Dunlop: We have compulsory purchase order powers, but in all the years since we were established we have never used them. I am not sure whether we have threatened to use them—quite often, that is a stimulus—but we have not used them. Our approach—we have just such an issue at the moment—is that, through partnership with the local authority, we will harness its capability because it has CPO expertise and utilises it regularly. It is a very complicated process, however, and the new Planning (Scotland) Bill will have an impact on all that.

If there is a genuine partnership in the south of Scotland and the local authorities are part of that, the new agency can utilise the skills of the partnership, including the CPO power that rests with the local authority. I do not regard it as an impediment that the new agency will not have that power. We have the power, but we have never used it.

Douglas Cowan: Similarly, we have the power but have never used it. We considered doing so on a couple of occasions in the past but managed to navigate and negotiate our way through without it. I agree with what Steve Dunlop said about the power. The Town and Country Planning (Scotland) Act 1997 introduced specific CPO powers and communities now have greater powers to acquire land. When the new agency is working collaboratively with partners, I do not think that not having CPO powers will inhibit its work.

Peter Chapman: Does the fact that you have those powers in your back pocket focus minds? You have never used those powers, but has the

threat that you might do so come into play on occasion?

The Convener: Steve Dunlop can answer that. It would be helpful to understand whether the CPO powers replicate what is already in planning legislation. Surely your agency could just go to a local authority and ask it to use CPO powers on your behalf. Is that right?

Steve Dunlop: That is what we would typically do. If someone holding land were an economic inhibitor and a barrier to growth, we would undertake compulsory purchase in partnership with the local authority. We would have a shared vision and approach with the local authority, which would be motivated to support that compulsory purchase. At the end of the day, if we are moving towards a much more collaborative space and we do not want to clutter or duplicate, we should use the tool that is already in the system.

Douglas Cowan: I agree with that view.

The Convener: We will leave that there. Colin Smyth has the next sequence of questions.

Colin Smyth: I will just follow up on that final point first. The HIE legislation is a lot more detailed about HIE's powers than the bill is about the powers that the south of Scotland agency will have. However, it has been argued that HIE's very detailed powers and aims have meant that it has not been able to do things that it would have liked to do. That was certainly the response from Government officials when we asked why the bill is so general and not as detailed and specific as the HIE legislation. They said that the Government wants to give the south of Scotland agency more flexibility because, potentially, HIE is unable to do some things because the legislation that set it up is very specific. Can you think of an example in which HIE was unable to do something because of the powers in the legislation that set it up?

Douglas Cowan: No, I do not think that I can. The powers are detailed, but they remain broad. We have very broad powers to do anything for the general economic and social development of the region. A number of specifics are mentioned in the act, but those are not exclusive, and the powers are broad.

If there is one area that can sometimes get in the way—although it is not a major inhibitor—it is the restriction on our ability to work beyond the boundaries of the Highlands and Islands. We deliver a couple of things nationally, and we need to go through specific arrangements to enable us to do that. An obvious example of that is the Scottish land fund.

Colin Smyth: Government ministers will have to decide where the new agency will be based physically. From what has been mentioned so far,

I get the impression that it is important that organisations should be co-located and that there should not necessarily be a single headquarters in the south of Scotland. Does the panel share that view?

More widely, the bill is silent on how this will all work in practical terms, but you represent agencies that work in the south of Scotland, and we are talking about another agency that will work there. What practical measures need to be taken to ensure that there is no duplication and, probably more importantly, that there are no gaps as a result of all the agencies working together?

The Convener: That is a massive question that raises several issues. Who would like to start on co-location?

Malcolm Roughead: Co-location is important, although I am sure that there will be somewhere with a nameplate on it as the designated registered office. As has been said, the sense of ownership of the new agency in the south is quite strong at the moment. If we are to build on that and keep the momentum going, people will have to see it and feel it—it will have to be a tangible part of their lives. The easiest way to do that is through co-location to ensure that there are people across the region and they are not just based in one place. The ambition of the SOSEP board is that we will look at how we can all work together.

On how we avoid duplication, clearly, there needs to be business planning where we all get together and consider what we are contributing. To make the difference that is required, it will be about the sum of the parts, and we can maximise that only if we work together and not against one another.

Steve Dunlop: I back Malcolm Roughead's point. Each year, we get a letter of strategic guidance from our minister, and I expect that the letters will begin to look very similar across the agencies and that they will direct us towards our shared ambitions. Over time, our corporate plans and operating plans will begin to major on those points of alignment. I think that there will be much more visibility of that collaboration that the strategic board is trying to drive. That letter of guidance each year is where we will see the commonality, the share of resources and the share of intent, and it is what we will collectively be held to account for by Parliament.

I absolutely agree with co-location, because the approach will work best with integrated teams. Clearly, part of the issue is about rurality and how to disperse the assets to make the agency and all of us accessible to all the people in the south. There will be an HQ, but the assets will need to be distributed.

Chris Brodie: Steve Dunlop has just made some of the points that I was about to make.

Steve Dunlop: Sorry.

Chris Brodie: Not at all.

Ultimately, the location is a matter for the agency, but I echo the point that co-location is important. That is for three reasons: from a financial perspective, for getting people to work together and to address rurality. We have co-location arrangements in place in the south of Scotland and right across Scotland.

On the practical measures that we take to avoid tripping over one another, we should not underestimate the strength of the work that is being undertaken at the moment through the south of Scotland economic partnership. The various agencies are going through a work planning exercise to look at where we fit together and, critically, what we think our offer will be when the new agency is set up. That principle of collaboration will be critical. It will change over time—where we start is not where we will end up. Like Michael Cross, I am enthusiastic and hopeful about the next few years.

Colin Smyth: I will come back to the issue of accountability. The agencies that members of the panel represent are ultimately accountable to Government ministers. People in the south of Scotland are asking how the new agency will be accountable to the people of the south of Scotland. How will we make sure that what it delivers is in line with what people in the south of Scotland want and not necessarily with what Government ministers direct it to deliver?

A stakeholder criticism of SOSEP is that, although it involves a lot of agencies working together and talking to one another, they are not talking to small businesses and the wider community. For example, if a member of the public wanted to look at the minutes of a SOSEP meeting, they would have to be Sherlock Holmes to track them down. The information is not there to notify people in the south of Scotland about the work of the new economic partnership. That is a concern for the new agency. How do we make sure that the new agency is fully transparent and, more importantly, accountable to the people of the south of Scotland and not just in the form of direction from Government?

The Convener: Colin Smyth's questions seem to be getting longer. Who would like to answer that?

Douglas Cowan: One of the key elements is our broad visibility and presence across the whole region. In HIE's experience, that is important. We have eight area teams dotted about the patch, with fairly high degrees of delegated authority to flex

regional policy to reflect local circumstances. A key part of the role of those teams is to engage with the businesses and communities on their patch to understand what the issues are locally, so that they can reflect those issues in what they do and feed them into the agency. The role of the board is also important in that. The board gets around the patch and engages with businesses and communities through its regular cycle of board meetings. It is a key part of what we do, and I suggest that—if not a replication of that—a similar model would be important in order to deliver similar results in the south.

Steve Dunlop: I do not have anything to add to that. The visibility of the new board will be key. Ministers will take the temperature of what businesses and communities think of it. That will be a key measure of the support that the new agency gets. It has already started; the process feels very engaged and I think that the new agency will want to maintain that. If that work is not transparent now, someone needs to take that point away and make sure that it is.

The Convener: I will widen that out a bit. So that everyone can see what is going on, would the development of a strategic plan for the body that is laid before Parliament be a useful document that would add to the transparency?

Michael Cross: Transparency in an agency's strategic plan is a good thing. All members of the south of Scotland economic partnership were impressed by the way in which Russel Griggs and Rob Dickson went around the region. They had 26 or 30-odd sessions in town halls and village halls across the region to engage with local people and local communities and hear what they thought. They brought that evidence back to the economic partnership as the basis for thinking about the strategic plan, so we can be confident that the current leadership of SOSEP is absolutely seized of the notion of transparency and will want to take that into its formal planning, once it attains full agency status.

The Convener: That brings us to the end of our evidence session. I thank you all for coming and for the evidence that you have given.

11:29

Meeting suspended.

11:35

On resuming—

European Union (Withdrawal) Act 2018

Aquatic Animal Health and Plant Health (Transfer of Functions) (EU Exit) Regulations 2019

Plant Breeders' Rights (Amendment etc) (EU Exit) Regulations 2018

Marketing of Seeds and Plant Propagating Material (Amendment etc) (EU Exit) Regulations 2018

The Convener: Item 2 is on European Union (Withdrawal) Act 2018 consent notifications, which concern one statutory instrument on aquatic animal health and plant health and two SIs on plant breeding and propagating. The three instruments will be laid in the United Kingdom Parliament in relation to the 2018 act.

The Scottish Government has categorised the two proposed SIs on plant breeding and propagating as category A, which means that they would make minor or technical amendments. The SI on aquatic animal health and plant health is categorised as category B, to the extent that the transition from an EU to a UK framework would be a major and significant development. Do members have comments?

John Finnie: I have no issue with the instruments and I support the proposal for us to seek further information. The instruments are some of the latest—I have no doubt that more are to come—on important issues.

Our papers say that there is

“an established, functioning joint legal framework. Paragraph 14 goes on to say that”

there is

“provision for the Ministers to act jointly and this forms the basis for the governance framework’.”

Given what we are dealing with, it is vital for such co-operation to continue—the subject lends itself to that.

When we write to the Scottish Government, could we ask for confirmation that the framework is robust and will be honoured? The process so far has not been fully courteous to the devolved Administrations, so I would like an assurance that the existing arrangements—as we have not heard to the contrary, I presume that they have worked satisfactorily—will continue.

The Convener: The suggestion in our papers is that we write to the Scottish Government to confirm that it is content for consent to be given for the UK SIs that are referred to in the notifications and that we note and request a response from the Scottish Government on wider policy matters that have been identified in the papers. We can also include John Finnie's question about the process. Is that agreed?

Members indicated agreement.

The Convener: I note that one of the committee's clerks is to leave the Parliament after seven years of service and having worked hard for the committee. I record our thanks to Heather Llyall for all her work in the Parliament.

Mike Rumbles: Hear, hear.

11:38

Meeting continued in private until 11:53.

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