



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 13 January 2016

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ECONOMY, ENERGY AND TOURISM COMMITTEE

2nd Meeting 2016, Session 4

CONVENER

*Murdo Fraser (Mid Scotland and Fife) (Con)

DEPUTY CONVENER

*Dennis Robertson (Aberdeenshire West) (SNP)

COMMITTEE MEMBERS

*Chic Brodie (South Scotland) (SNP)

*Patrick Harvie (Glasgow) (Green)

*Johann Lamont (Glasgow Pollok) (Lab)

*Richard Lyle (Central Scotland) (SNP)

*Gordon MacDonald (Edinburgh Pentlands) (SNP)

*Lewis Macdonald (North East Scotland) (Lab)

*Joan McAlpine (South Scotland) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

John Swinney (Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy)

CLERK TO THE COMMITTEE

Douglas Wands

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 13 January 2016

[The Convener opened the meeting at 09:31]

Decision on Taking Business in Private

The Convener (Murdo Fraser): Good morning, ladies and gentlemen, and welcome to the Economy, Energy and Tourism Committee's second meeting in 2016. I welcome all members, the Cabinet Secretary for Finance, Constitution and Economy and the other witnesses, whom I will introduce in a moment. I remind everyone to turn off, or at least turn to silent, all mobile phones and other electronic devices.

Under item 1, are members happy that we take in private item 3, which is consideration of our draft report on our scrutiny of the draft budget 2016-17? Are members also content to consider the draft report in private at future meetings?

Members *indicated agreement.*

Draft Budget Scrutiny 2016-17

09:31

The Convener: Item 2 is our concluding evidence session for our draft budget scrutiny 2016-17. I welcome John Swinney, the Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy, who is joined from the Scottish Government by John Mason, director of economic development, and Mary McAllan, director of energy and climate change, to give evidence on the draft budget. Before we come to questions, does Mr Swinney want to make an opening statement?

The Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy (John Swinney): I do, convener. Thank you for the opportunity to discuss the 2016-17 draft budget with the committee. In presenting the budget, the Government is determined to build on the consistent approach that we have taken since 2007 to creating opportunities for all our citizens to flourish through increasing sustainable economic growth. That challenge must be undertaken within the constraints of the public finances that are available to us. As I have set out to Parliament, the Scottish Government's discretionary budget will by the end of this decade be 12.5 per cent lower in real terms than it was in 2010-11.

In the budget choices that we have made, we have focused on supporting the implementation of the Government's economic strategy principally around the themes of investing in our people and infrastructure; in fostering a culture of innovation; in continuing to promote Scotland internationally to boost trade and trade networks; and in promoting inclusive growth.

I will summarise some of those principal themes. We have chosen to invest £116 million in Scotland's digital infrastructure next year, which is a transformational investment that will help us to meet our target that 95 per cent of premises in Scotland will have access to next-generation broadband by 2017. We have continued to support the small business bonus scheme and, in line with our recognition of energy efficiency as a national infrastructure priority, we will complement our efforts under existing schemes with the development of Scotland's energy efficiency programme. We will continue to facilitate business and community investment in low-carbon infrastructure through the renewable energy investment fund and specific low-carbon and community investment support schemes.

We see innovation as the key to tackling the productivity challenge in the Scottish economy, and we are committing more than £345 million to

supporting innovation through our enterprise agencies and the Scottish Further and Higher Education Funding Council.

Many of the opportunities to boost the Scottish economy's competitive strength will come in our international activity. We have seen good performance in the increase in international exports, and we are establishing three new innovation and investment hubs in London, Brussels and Dublin to support that. We will continue to support Scottish Development International to help companies to expand internationally.

On the theme of inclusive growth, the Government is taking steps to encourage and motivate support for the Scottish business pledge, which is a voluntary commitment by companies to adopt fair and progressive business practices through the introduction of the living wage and other commitments. The establishment of the fair work convention will assist in developing a fair employment and workplace framework by March 2016.

We take forward those measures within the priorities that are set out in the Government's economic strategy and our programme for government. I look forward to discussing that with the committee.

The Convener: Thank you for that introduction. I am conscious that you need to be away by 11 am to go to the Finance Committee, so I remind members to keep their questions as short and to the point as possible. Answers that are as short and to the point as possible will help us to get through the topics in the time that we have available.

We are keen to cover non-domestic rates, tourism, fuel poverty, the fair work agenda, the enterprise agencies and renewable energy. I hope that we can get through all that in the time that is available to us.

I will start by asking about non-domestic rates. If I read the budget documentation correctly, it contains an expectation that the projected income from non-domestic rates is to fall by £30 million in the coming year. It says that

"lower than forecast growth in the tax base"

is leading to that fall. Will you explain in a bit more detail why that has happened?

John Swinney: A number of factors have contributed to that situation. First, in relation to inflation, the 2015-16 poundage increase was capped at 2 per cent. When we made the long-run forecast of NDRI, we estimated an inflation figure of 2.3 per cent in September 2014, which would have given rise to a 2.3 per cent increase in the poundage. That contributes to a drop in income in

the current and forthcoming years, which affects the size of the non-domestic rates pool.

In addition, the expectation for September 2015 was an inflation forecast of 3.3 per cent, which translated into 2.1 per cent. That was reduced further in the March budget statement to 0.9 per cent. That lower inflation factor has a cumulative effect.

Secondly, we estimated a buoyancy level for 2014-15 of 1.55 per cent, which translated into an actual level of 0.82 per cent, so the growth in buoyancy was not as large as we had predicted.

Those factors have affected the strength of the non-domestic rates pool and, as a consequence, I have taken steps to maintain as far as possible the income that arises from non-domestic rates.

The Convener: I will follow up that last point. You propose to double the large business supplement from 1.3 per cent to 2.6 per cent. How much do you expect to raise from that measure?

John Swinney: We expect to raise about £60 million.

The Convener: Although it is called the large business supplement, do you accept that many medium-sized businesses will be affected, given that it attaches to properties with a rateable value of £35,000 or more? Many reasonably modestly sized shops in our high streets, for example, will be hit by the supplement.

John Swinney: You are correct that the large business supplement applies to properties with a rateable value of £35,000. Those businesses are familiar with paying the supplement, which is part of the existing arrangements. When we look at the detail of the annual increase, we see that the rates of a company that pays the large business supplement will rise by 3.4 per cent between 2015-16 and 2016-17.

If we look back to 2011-12, we see that the increase for similar companies was 4.6 per cent, and in 2012-13 it was 5.8 per cent. Therefore, although all the detail that you have given is correct, in the context of business rates rises and changes over the past six years, the change—the annual increase, which includes the core element of the business poundage and the large business supplement—from 2.3 per cent to 3.4 per cent is smaller than it was in two recent years.

The Convener: In the past, you and the First Minister have spoken quite strongly about the need to create a competitive business rates regime in Scotland. However, the draft budget proposes to double the large business supplement, which will make what is paid substantially higher than the rate that is payable south of the border. How does that fit with what the First Minister has said about making Scotland

the most attractive place in the United Kingdom in which to do business? Do you think that it sends the wrong signal?

John Swinney: No, because we must bear it in mind that, in a variety of other areas of the approach that we take to business rates, we have in place a significantly more advantageous position than that south of the border. We must also bear in mind the point that I just made to you—that the increase in business rates for companies in such a category is smaller than it was in two recent years.

The Convener: This is my last question on business rates. I see that there is a proposal to limit rates relief for renewable energy projects to projects that are wholly community owned. How much is that proposal likely to raise?

John Swinney: That will raise about £10 million.

Patrick Harvie (Glasgow) (Green): Have you considered finding a way to ensure that renewable energy projects that have an element of community ownership gain an element of the relief, which would benefit the community body in question?

John Swinney: I think that the provisions that we have put in place will capture that, but I will ensure that the issue is properly and effectively captured in the approach that we take.

Patrick Harvie: Could you please provide in writing more detail on the mechanisms to which you refer?

John Swinney: Certainly.

Patrick Harvie: Thank you.

The Convener: As nobody has any more follow-up questions on rates, we will move on to tourism.

Dennis Robertson (Aberdeenshire West) (SNP): Good morning, cabinet secretary. There is a slight reduction in VisitScotland's overall budget. Tourism is extremely important for Scotland's economic development. We had a successful year of food and drink and year of homecoming. Is the budget sufficient to ensure success and be a platform for growth? Do you expect another good year for tourism in Scotland?

John Swinney: The VisitScotland budget for 2015-16 was inflated by about £5 million for one-off costs that were designed to build on the legacy of 2014, which we all appreciate was a particularly significant year for tourism in Scotland. That budget was therefore higher than we would ordinarily have expected it to be. The budget that we have set now is at an appropriate level to support the organisation and assist its development.

VisitScotland is increasingly becoming an organisation that fulfils three purposes. First, it gives strategic leadership to the tourism industry, although it does not do that exclusively. We have been greatly assisted by the work of the Scottish Tourism Alliance, which is an industry-led body that is driving a lot of the improvements in, and the strengthening of, the tourism proposition.

Secondly, VisitScotland is now proving itself beyond question to be one of the most successful marketing organisations in the world. The quality of its marketing material is extraordinary. It is assisted by the strength of the proposition and our natural environment, but its marketing activity is second to none.

Thirdly, VisitScotland is increasingly moving towards being a digitally anchored organisation. A vast amount of tourism activity is now undertaken through digital means and methodologies, as opposed to the tourism activity that we were accustomed to even five or 10 years ago, and certainly 20 years ago. VisitScotland is changing to reflect the fact that it is predominantly a marketing organisation that is immersed in digital activity. That enables its resources to stretch much further in undertaking its work.

09:45

Dennis Robertson: A lot of work has been done on digital connectivity. In your opening statement, you mentioned improvements in broadband. How significant is that in enabling some of our smaller and more rural and remote areas to engage with tourism?

John Swinney: It is critical to have not just broadband but mobile connectivity. I see quite an encouraging route map on superfast broadband, and we will certainly reach the 95 per cent target by 2017. I am optimistic that we might even get beyond that by stretching the commitments that we have made to the superfast broadband programme and complementing that with the work that is being facilitated by community broadband Scotland and undertaken by numerous community organisations throughout the country.

I am less optimistic about mobile connectivity. I am regularly involved in discussions with the mobile providers. However, significant areas of rural Scotland cannot offer the type of mobile connectivity that, for example, a visitor who arrives in Scotland from Japan would be accustomed to in rural Japan. I accept that the situation is getting better, but we still have quite a distance to go.

Although we have no statutory power on the issue, I am encouraging the mobile operators to share infrastructure and identify ways in which we could intervene to support the roll-out of mobile

connectivity in Scotland. The mobile operators are responding positively to that.

Dennis Robertson: You set the budget prior to the flooding incidents that have taken place, including in Ballater in my constituency, which you visited on hogmanay. Do you see a role for VisitScotland in helping areas such as Ballater or Newton Stewart to recover and to get the infrastructure ready for when tourists return in the spring and summer?

John Swinney: I do not see the recovery of the infrastructure as a role that is ideally suited to VisitScotland.

Dennis Robertson: I did not really mean that VisitScotland would contribute to the infrastructure.

John Swinney: What I have announced in relation to the flooding incidents has been designed to work in partnership with local authorities and businesses to get things back up and running as quickly as possible. In the example of Ballater, the infrastructure support that I have made clear will be available to restore the A93 to connect Ballater with Braemar is an important contribution to the tourism proposition.

In a constituency capacity, I had a meeting on Monday with the Cairngorm national park leadership, who went through with me the significant damage that has been done to the path network and the bridges network around the River Dee. I encouraged those people to talk to Aberdeenshire Council about ensuring that, when the council makes a proposition to the Government about access to the infrastructure resource, it is sufficiently comprehensive to restore as much of the infrastructure as possible.

VisitScotland can contribute to the knowledge and information about areas of the country that are desirable to visit. Notwithstanding the floods, Ballater had a setback last year with the fire in the former Ballater railway station. That magnificent piece of architecture is now undergoing renewal. When there are difficulties in individual localities, I am sure that VisitScotland can increase the accent and emphasis on particular areas of the country and their attributes to encourage a return of the visitor economy.

Dennis Robertson: On fair work, do you envisage a greater uptake of the living wage in the hospitality sector? How can you influence it to encourage good and appropriate quality for tourists who come to Scotland and ensure that the people who provide the hospitality are paid a fair wage?

John Swinney: Our approach is to encourage and motivate the industry to voluntarily take part in such activity. I have visited a couple of businesses

in the hospitality sector that have committed themselves to the living wage, and they are seeing the fruits of that commitment. They are seeing lower staff turnover, staff staying with them for longer and higher motivation and productivity levels as a consequence of people being better remunerated. In the examples that I have seen, the tourism and hospitality companies that have gone down that route have seen the fruits of that approach.

I appreciate that the economics of some sectors make an abrupt change of that nature quite a challenge. However, the work that the Cabinet Secretary for Fair Work, Skills and Training takes forward, which all ministers are involved in promoting, is an important part of changing the sector's ethos and outlook to improve the value of the employment.

The Convener: Lewis Macdonald has a follow-up question.

Lewis Macdonald (North East Scotland) (Lab): Deputy First Minister, you characterised VisitScotland as providing strategic leadership, marketing and digital connectivity or a digital resource for the tourism sector. Given that you have made provision for a 4.5 per cent reduction in VisitScotland's resource budget this year, in which of those three areas do you envisage VisitScotland finding savings?

John Swinney: VisitScotland's budget in the current year included an additional £5 million to allow for further investment. That was essentially a follow-up to give the organisation an opportunity to build on the unprecedented level of attention and focus on Scotland in 2014. That resource would not ordinarily have been available for VisitScotland to utilise.

Essentially, VisitScotland is broadly in a comparable financial position to where it would normally be. The setting out of the three principal pillars of VisitScotland's activity is designed to give clarity on the choices that it will make on how it will spend its resources. I expect it to invest heavily in marketing and digital activity, as I see that as absolutely critical to how we reach people. The ability to reach more people through digital technology than was possible under the conventional approaches that were available to marketing campaigns is of an extraordinary level of comparison. We can see that the available resources will be able to go much further because the medium through which they are used—principally digital connectivity—allows us to reach a much wider audience.

Lewis Macdonald: So, in short, you are saying that the £5 million to build on the year of homecoming was spent, it did its job, and you consider the job to have been done.

John Swinney: I never consider the job to be done. What is created is a higher platform and, if we add to that a stronger digital capability and outstanding marketing materials, such as those that I see coming out of VisitScotland, that ensures the organisation's ability to continue to promote Scotland strongly as an attractive and dynamic place to visit.

The Convener: We move on to fuel poverty.

Patrick Harvie: Good morning, Deputy First Minister. I want to begin with an apology. As Mr Swinney knows, I am sometimes critical of the Government, but I also like to give credit where it is due. When the budget was published, I confess that I gave too much credit where it was not due because I congratulated the Deputy First Minister on what looked like a modest increase in the energy efficiency budget. It is an increase when compared with the previous draft budget, but not when compared with the amount of money that was spent in the final budget for the current year. I apologise for giving credit where it was not due.

Why should we take seriously the commitment to make energy efficiency a national infrastructure priority when the budget is going down, rather than up?

John Swinney: I would describe the budget as static. Mr Harvie is correct that it is higher than the 2015-16 published budget. I supplemented it during the financial year and I have preserved those resources in the budget that is available at around £103 million. In a context in which the resources that are available to the Government are reducing, that outcome demonstrates the Government's commitment. It is not a one-off commitment. During the past few years, we have spent approximately half a billion pounds on energy efficiency measures as part of a sustained programme, which I have signalled in the budget will be continued through the Scottish energy efficiency programme.

Patrick Harvie: You describe it as a static budget, but it is clearly a reduction compared with what has been spent in the current financial year. Even if we call it static, how does that square with the commitment that was made more than a year ago? In November 2014, you came to the committee as part of its budget scrutiny and answered questions from my colleague Alison Johnstone, and that was the point at which you said that energy efficiency would become a national infrastructure priority. Eight months later, that was confirmed in a formal policy announcement, but there is still nothing in the budget to demonstrate that the work that it implies will be funded.

The infrastructure investment plan does not put much in the way of meat on the bones of the

policy, but it suggests that the first phase of the plan will be

"delivering existing programmes more effectively, developing new pilot schemes and preparing for the effective implementation of the powers that are set to be devolved through the Scotland Bill."

All that would seem to be additional to work that is currently being done. Why is there no funding for that additional work?

John Swinney: It is important to look at all the different elements that come together. First, I confirm that energy efficiency is a national infrastructure priority. I said that that would be the case and the Government has followed that through. Secondly, in a constrained financial climate, the Government has preserved the resources available for energy efficiency. As I will come on to say in a moment when we look at other areas of policy, the Government is putting in resources to ensure that we are able to advance our agenda.

Thirdly, we have signalled the design and roll-out of the actions to support the national infrastructure policy by the very clear commitment in the short, medium and long-term to the Scottish energy efficiency programme, which gives absolute continuity and certainty about the direction that our agenda will take.

Fourthly, other aspects of our expenditure on non-domestic industrial energy measures in the heat sector are contained in other budget lines that are not part of the energy efficiency line that we are concentrating on at this moment. We will spend about £34 million in 2016-17 on some of those measures. The fact that the Government is giving short, medium and long-term clarity to these areas of activity as part of a wider policy programme demonstrates the commitment to implementing the national infrastructure priorities.

10:00

Patrick Harvie: You say that you have signalled the roll-out of an ambitious new programme. I accept entirely that you have signalled it, but it does not look as if you have funded it. At what point can we anticipate a significant increase in funding to pay for a significant increase in activity? Will it be in two years' time? Three years' time? Four years' time?

John Swinney: I have said to Mr Harvie that we have given a commitment, in a difficult spending round, to maintain the resources in expenditure on energy efficiency. However, there are other contributory factors, such as the ones that I have just mentioned in relation to heat, low-carbon infrastructure and low-carbon heating. When we look at the issue in the round, we see that the Government is making a variety of interventions to

advance the energy efficiency agenda in a range of sectors. We have not yet talked about the work that is going on in our public services to deliver energy efficiency schemes through collaboration with health boards through the Green Investment Bank to advance some of the schemes that transform energy use and the associated cost to the public sector.

Patrick Harvie: There is, clearly, no chance that the fuel poverty target for 2016 is going to be met. Is that not ample demonstration that not only in the current year but over a number of years, successive Scottish Governments have not been ambitious enough on that agenda?

John Swinney: That is not a fair characterisation. If fuel prices had risen in line with inflation, the fuel poverty rate in Scotland would be 9.5 per cent, instead of the 35 per cent that it currently is. Therefore, I do not accept Mr Harvie's argument that there has been a lack of commitment. Because he has been involved over many years in discussions with me about these matters, he knows about our long-term commitment to tackling fuel poverty and increasing energy efficiency. There has been sustained funding over many years. Through the Scottish energy efficiency programme, we are giving a commitment to multiyear funding to improve the energy efficiency of buildings in Scotland. We can see that part of the challenge that we face involves fuel prices, not the degree of investment in the sector.

Patrick Harvie: We would all agree that, even when those fuel poverty targets were set, everyone acknowledged that a devolved Scottish Government can do little about energy prices and less still about people's incomes, but it can do a lot about energy efficiency and demand reduction. That is where the greater effort should have been if we were to get closer to meeting our target.

John Swinney: We have undertaken 900,000 energy efficiency measures since 2008. In anyone's book, that cannot be described as anything other than a substantial set of measures to support the delivery of energy efficiency in this country.

Patrick Harvie: Given the reduced budget, we must assume that there will be fewer such measures in the coming financial year than there were in the current financial year.

John Swinney: Mr Harvie and I are just going to have to part company on the size of the budget. I think that the budget is, by and large, comparable with the budget that was under my control. There is a loss of £15 million of resources because the United Kingdom Government has terminated one of the energy efficiency programmes that we were passing on in Scotland.

Patrick Harvie: Consequentials are not hypothecated, so we are talking about your choices.

John Swinney: I am sorry, but that is not the case. That particular scheme was a bespoke scheme that was delivered in Scotland. I stand to be corrected, but I am pretty sure that we were obliged to deliver it in that fashion, to enable access to that resource.

Patrick Harvie: But if the money is withdrawn, you are not prevented from using your own budgets.

John Swinney: Let us separate out the two different considerations. The first is that the £15 million was part of a UK Government programme that came to an end; no money came with that for 2016-17. That is not a general budget choice that we have made; that is money that was stopped, courtesy of the UK Government.

In the budgets that we have under our control, we have maintained the expenditure available for fuel poverty and energy efficiency in what has been a tough financial climate. That comes as part of a programme that has delivered 900,000 energy efficiency measures since 2008 and, to look forward, will deliver a sustained multiyear financial programme to support energy efficiency in Scotland, as the Scottish energy efficiency programme has set out. That is a fair characterisation of the national infrastructure priority.

Patrick Harvie: I put it to you that, when you are spending millions of pounds on a consultation on fracking and other techniques that even your own party members do not want you to proceed with while cutting the energy efficiency budget, there has to be a question about priorities, has there not?

John Swinney: The debate in Scotland needs to be served by the type of analysis that we are undertaking on unconventional energy. People would be quite surprised if we did not do things properly. We are frequently criticised by some people for not looking at all the evidence, so we have to do so and a variety of different opinions have to be addressed through that process. Mr Harvie is wrong to characterise the investment that the Government is making as anything other than a strong, consistent level of support that is part of a multiyear financial agreement.

Patrick Harvie: It is still less than you are spending this year.

The Convener: Okay, thank you. Joan McAlpine wants to come in on the same point.

Joan McAlpine (South Scotland) (SNP): As far as I can see, Scotland seems to have leveraged out quite a substantial proportion of the

energy company obligation since 2013—higher than our population share—to support measures to mitigate fuel poverty in Scotland. I notice that, as a result of UK Government changes, we lost about £93 million of ECO in 2014-15. What kind of challenge does that pose for a fuel poverty strategy?

John Swinney: Joan McAlpine's first point is absolutely correct; we have managed to secure 11.5 per cent of total measures under ECO in Scotland—the performance has been good. We are determined to use the techniques and methodology that have enabled us to deliver that stronger performance in the forthcoming financial year. There is obviously an expectation that ECO funding will reduce from 2017 onwards. We will work to make sure that the good arrangements that we have in place will enable us to maximise the resources and interventions that we can secure as a consequence of leveraging measures out of that programme for the benefit of householders in Scotland.

Joan McAlpine: Does the fact that the powers to deliver that are being devolved make any difference? I know that they are quite limited, but will it make any difference to what we can do in the way of administering and delivering the programme?

John Swinney: The powers have been executively devolved, which enables us to exercise some flexibility. When we can, we use good techniques in the design of programmes and interventions. The more we combine the way in which we deliver particular services, the better able we are to provide solutions for individuals rather than delivering just one bespoke programme. If we are able to design a more comprehensive offering that meets a wider set of needs of individuals, we might manage to make the resources go a bit further.

That thinking is what underpins a lot of our approach in relation to the devolution of the new powers, and we also take that view on welfare provision. We are already involved in some areas of activity in the welfare environment and with the addition of new responsibilities we might make a better proposition out of that range of powers. We will take forward the same approach on fuel poverty.

Joan McAlpine: In their evidence to us, Stewart Wilson and Norman Kerr were quite critical of ECO. Stewart Wilson described it as “horrible” and “administration-heavy”. I assume that that relates to what you are talking about. Perhaps we could tackle some of the problems there.

John Swinney: In relation to all such schemes, we have been successful in increasing the proportion of measures that have been

successfully obtained in Scotland. We have done that by taking an efficient approach to the administration and delivery of the programmes. If we can pursue them in an integrated way alongside our other programmes and interventions, we will have an opportunity to deliver much better outcomes for individuals.

Joan McAlpine: On targeting the measures, both witnesses talked about how they tended to be focused on getting the biggest bang for a buck in terms of carbon saving, which was not necessarily a good thing for rural Scotland and the areas that I represent.

Norman Kerr spoke about

“replacing a boiler in the central belt of Scotland”—[*Official Report, Economy, Energy and Tourism Committee*, 28 October 2015; c 18.]

for example, whereas things are more difficult in rural areas. There was also criticism of the Scottish index of multiple deprivation being used to target fuel poverty measures, given that, although fuel poverty is more concentrated in rural areas, such areas represent only 2 per cent of poverty under the Scottish index of multiple deprivation. How do you target the budget to ensure that you reach the rural households that are suffering the deepest levels of fuel poverty?

John Swinney: The crucial way of tackling that is through having good and effective partnerships in localities that enable us to identify those who would best benefit from the measures.

On the analysis that Joan McAlpine has advanced, I understand and accept that fuel poverty is more visible in areas of urban concentration, but it is no less serious in areas of rural isolation. In some circumstances, it is ever more challenging as a consequence. As I say, we tackle that by having effective partnerships with local authorities and other community-related organisations that can provide us with intelligence on where measures can be most effectively deployed. Through schemes that have been undertaken under the Government's home energy efficiency programme, we have gained some good learning about how to reach into rural localities. Through that partnership, we have undertaken some very good planning of where interventions could best be pursued.

The Government has different working groups that are considering where we can strengthen that proposition and make it more focused, ensuring that people who live in rural properties and who are off gas can find alternative and more sustainable forms of energy efficiency.

The Convener: Lewis Macdonald has a follow-up question on fuel poverty.

Lewis Macdonald: Deputy First Minister, you have acknowledged that the budget for tackling fuel poverty has been reduced from £119 million in the current year to £103.3 million in the coming year, but you have said that most of that reduction is because of £15 million of bespoke UK funding no longer being available. How much of the £103.3 million in the budget for the coming year is bespoke UK funding, which you do not control and you would not necessarily replace, were it to cease?

John Swinney: It is all Scottish Government expenditure.

Lewis Macdonald: So 100 per cent of the bespoke UK funding, which you are no longer able to spend, has ceased.

John Swinney: Yes.

Lewis Macdonald: It is helpful to know that that is the situation.

John Swinney: The UK Government's green deal home improvement fund was ended in 2015-16 and the consequential funding from that will no longer be available to us.

Lewis Macdonald: You accept that, taking into account the ending of that funding, your overall expenditure in the area for the coming year has seen a reduction in the order of 13 per cent.

John Swinney: I know what Mr Macdonald is trying to do, but I am simply pointing out the facts. There was a programme of bespoke UK funding that we made available for the purpose and it has been removed. That is the policy decision that has been made here.

10:15

Lewis Macdonald: In advance of this year's budget process, ministers talked a number of times about embedding climate change in the budget process. Would you characterise the decisions that you have made in the area as embedding, as a priority, dealing with or mitigating the impacts of climate change?

John Swinney: Yes.

Lewis Macdonald: In what way?

John Swinney: In the measures that we have taken and in providing clear, consistent support for measures to deliver energy efficiency and other measures that are part of the Government's programme.

Lewis Macdonald: Your decision not to find additional resource to balance the loss of that bespoke UK funding, as you have described it, does not appear to be giving priority to tackling climate change.

John Swinney: There is a wider dimension, Mr Macdonald, which is the consequences of the decisions that are made by the United Kingdom Government. I have made it crystal clear to the Parliament that it is not going to be within my gift to counterbalance all the dreadful decisions of the United Kingdom Government. People might think that I have the capability to counterbalance the 12.5 per cent real-terms reduction in our budget over a 10-year period, but I am afraid that that is not the case.

Lewis Macdonald: I do not suppose that many people assume that, but there is the question—

John Swinney: Forgive me, Mr Macdonald, but that is the assumption that underpins your question.

Lewis Macdonald: Not at all. I am not pointing you to what I want you to do; I am asking what priority choices you are making. Every finance minister must make decisions, and it seems to me that you have made the decision not to seek to counterbalance in any way a judgment that has been made by the UK Government on a specific programme. Therefore, there is a significant reduction in the fuel poverty budget.

John Swinney: You are absolutely correct in saying that I have to make a range of decisions. Nevertheless, the £100 million of funding that we are providing in the area is £100 million more than the United Kingdom Government is providing, which is a pretty tangible commitment that shows our determination to tackle climate change and deliver energy efficiency.

Lewis Macdonald: I have asked you about two areas. You have described the reduction in VisitScotland's budget as maintaining the trend of where we would expect it to be, and you have described the reduction in the fuel poverty budget as keeping it static. Would it not be more direct simply to say that those are budget cuts?

John Swinney: No, because I am putting the budget decisions that I have made into a proper context, as the committee would expect me to.

Lewis Macdonald: Thank you.

The Convener: We need to move on to energy. I bring in Richard Lyle.

Richard Lyle (Central Scotland) (SNP): Good morning, Deputy First Minister. Let us turn to the renewable and community energy budget. I was interested in the explanation that you gave. The Scottish Government has stated:

"The challenging macroeconomic conditions for the energy sector as a whole and the raft of UK regulatory and policy changes, now threaten the Scottish Government's approach to energy."

That puts the previous question in context. The Scottish Government continues:

“These changes, combined with the sustained uncertainty concerning future levels of support for other technologies such as offshore wind, have created a difficult investment climate.”

I suggest that they have also created a difficult budget. I note that the renewable and community energy budget line sees an increase of some £6 million, which, according to the Scottish Government,

“reflects the on-going commitment to the marine sector through funding for Wave Energy Scotland”.

What is your view on the renewables budget and the UK Government’s renewables policies, which have affected the Scottish Government’s budget?

John Swinney: In making my decisions, I have had to adapt to what I consider to be the market conditions that prevail in Scotland as part of the United Kingdom, and there is undoubtedly a more challenging climate for the taking forward of some renewables ventures as a consequence of changes in UK policy. I am trying to utilise the resources that I have in the most effective way to support our wider renewable aspirations.

As I might have discussed with the committee previously—I have certainly discussed this with the Finance Committee at spring and autumn budget revision time—one of the challenges that we have faced over the past few years is that, having made some pretty significant allocations of resources to the development of renewable energy projects, we have found ourselves unable to spend that money because suitable projects have not come forward. That has not happened in all cases—plenty of good projects have come forward, which we have supported. However, they have not come forward in the volume that we anticipated. At various stages over the past few years, I have had to reallocate resources that we have not been able to spend to ensure that they could be used to meet other priorities.

I have tried to make the best assessment that I can of the demand that exists for energy project support, and I have spread support across a variety of renewable and community energy projects from capital projects on the low-carbon economy to projects on meeting some of the wider energy requirements to ensure that we deliver a low-carbon environment. Those are all measures that support the Government’s wider energy policy objectives, but we have attached particular significance to the development of community renewables. That is an area in which encouraging developments are creating sustainable projects in different parts of the country.

Richard Lyle: I have a question that relates to some of the renewable energy projects, and it perhaps concerns Mary McAllan’s department. Do we monitor what is done by contractors? I am thinking of the additional work that is done in relation to fuel poverty. For example, if a contractor renews someone’s boiler and says that their radiators also need to be replaced, they will have to pay for that additional work, because the Government does not pay for it. Do we monitor that? I am concerned that people are sometimes being asked to get more work done than is necessary.

John Swinney: I take two different perspectives in answering that question. The first is about the quality of the advice that individuals should receive. The Government supports the availability of dispassionate energy advice to enable individuals to make proper and informed decisions about what energy efficiency measures it would be valuable and sensible for them to take. It is important that people have access to such good-quality advice and that the Government supports the provision of that.

Secondly, we monitor the delivery of energy efficiency schemes to make sure that appropriate solutions have been delivered and that the interests of the public purse are being met as part of that process.

The Convener: We will move on to look at the fair work agenda and funding for the enterprise agencies.

Johann Lamont (Glasgow Pollok) (Lab): I note that the draft budget includes an allocation of £1.5 million specifically for fair work. What other budget lines contribute to your commitment to fair work?

John Swinney: You will find that the work of organisations such as Skills Development Scotland, Scottish Enterprise and Highlands and Islands Enterprise make a contribution to the fair work agenda. An expectation that we have of the enterprise agencies, particularly through the account management process, is that we are asking them to use to an increasing extent the channel of communication that they have with companies through the account management structure, which is the principal channel of communication between those agencies and companies, to maximise the emphasis that is placed on companies taking the measures that are involved in the business pledge. Those are not just nice things to do; they are beneficial in improving the productivity and capability of individual companies, and they will have significant benefits for members of the public into the bargain.

Johann Lamont: I note that the Skills Development Scotland budget has fallen by 4 per cent.

John Swinney: There is pressure on all the different agencies' budgets. Scottish Enterprise's resource budget is down by 4.6 per cent, and that of Highlands and Islands Enterprise—

Johann Lamont: With respect, you were suggesting that, along with the £1.5 million, Skills Development Scotland was going to be a key way of developing the fair work agenda, but its budget has been cut by 4.6 per cent.

John Swinney: Yes, but organisations have to be more productive and deliver more impact with fewer resources. It is a constant theme of the budget process.

Johann Lamont: So the 4.6 per cent cut is being made because of Skills Development Scotland's inefficiencies and not because you have had to find a way of reducing budgets. You have made an active choice to make that cut to Skills Development Scotland at the same time as telling me that the fair work agenda is a clear priority for the Government.

John Swinney: I am challenging public sector organisations to deliver more value and impact from their activities. I want organisations to look at the way in which they operate and to work more actively towards the sharing of services and removing the inefficiencies that still bedevil the public sector in Scotland.

Johann Lamont: That is a slightly different point from the one about the fair work initiative, which I welcome. I welcome the fact that we have a cabinet secretary who has responsibility for that, although I am interested to know how that is being mainstreamed into the Government's thinking more generally.

In answer to the question about how the Government is developing the fair work agenda, you have made a general and reasonable point about efficiency in the public sector. I am still not clear what you are investing in around fair work that is different if you are applying the same rules across all organisations.

John Swinney: As I explained in my answer some moments ago, the dialogue that Scottish Enterprise or HIE have with the companies that they are dealing with will be about persuading and encouraging them to participate in the fair work agenda. That is the mainstay of the dialogue that we now undertake to encourage companies to pay the living wage, to make a commitment to gender balance in the workforce, to contribute towards improving companies' productivity, to encourage the internationalisation of companies, and so on.

All those things will help to strengthen the quality of employment and advance the fair work agenda.

Johann Lamont: At the committee's evidence session on 11 November, Scottish Enterprise confirmed:

"Our focus is on the growth element of inclusive growth. That is what Scottish Enterprise does".—[*Official Report, Economy, Energy and Tourism Committee*, 11 November 2015; c 35.]

Is that a fair reflection of the Government's view of the role of Scottish Enterprise, given your statement that you are in favour of the fair work agenda and that Scottish Enterprise has a role in that?

John Swinney: That is not my view of the Government's view, nor is it my view of Scottish Enterprise's role.

Johann Lamont: It is Scottish Enterprise's view.

John Swinney: I am sure that Johann Lamont is reading a quote but, in my opinion, from my dialogue with the board and leadership of Scottish Enterprise and in the guidance that I have given to that organisation, the issues around advancing the fair work agenda are part and parcel of the remit and ethos of Scottish Enterprise.

Johann Lamont: So Scottish Enterprise was simply wrong or misrepresented when it said that its focus was on the growth element. Would it be a fair characterisation of your view that you cannot divide the inclusive bit from the growth bit? The two things have to go together and the fair work agenda is at the centre of that.

John Swinney: That is my view. I would be grateful if Johann Lamont could share the quote she is referring to.

Johann Lamont: Yes. We have got it in the Scottish Parliament information centre briefing.

John Swinney: Could I have it just now?

Johann Lamont: I have quoted it to you already. The confirmed quote is:

"Our focus is on the growth element of inclusive growth."—[*Official Report, Economy, Energy and Tourism Committee*, 11 November 2015; c 35.]

John Swinney: I can see it in the SPICe briefing but I would like to know where it comes from in Scottish Enterprise.

Johann Lamont: It came from the evidence session on 11 November.

John Swinney: Was it expressed by a representative of Scottish Enterprise?

Johann Lamont: Well, yes; the briefing says that it is Scottish Enterprise confirmed.

John Swinney: I am not being difficult about this because—

Johann Lamont: I am not being difficult either, but when the Cabinet Secretary for Fair Work, Skills and Training came to the committee, it was clear that she was committed to the job that she has to do. I am keen to make sure that throughout government there is an understanding that equal priority is given to fair work as well as to growth. If it was informed by the opportunities to establish fair work practice as well as growth, that would direct encouragement and the public money that you have in your control to organisations.

10:30

John Swinney: I am happy to confirm that my view is that you cannot separate the “inclusive” from the “growth”. They are one and the same thing. I am happy to confirm that as the Government’s position. What you have heard from the fair work secretary is absolutely the same message that I give to the wider business community and to the enterprise agencies. I will explore that particular quote because I am not comfortable with that.

The Convener: For clarity, Deputy First Minister, we have just found the quote. It came from Adrian Gillespie, who is the managing director for operations, company growth, innovation and infrastructure at Scottish Enterprise, and it was made on the record to this committee on 11 November 2015.

John Swinney: I will go and have a look at that because it is certainly not my view of the world.

Johann Lamont: Given that view, will you be informing Scottish Enterprise in regard to managing grants and so on that it should not be giving support to organisations that do not match some pretty basic tests around fair work?

John Swinney: Our priority is to motivate companies to support the inclusive growth agenda. That should increasingly drive the steps that we take to direct our advice to companies through Scottish Enterprise’s work.

Johann Lamont: If there was no indication that people were being motivated in the way that you wanted, would you then be clear that those companies should not have access to public funding?

John Swinney: The business pledge is a voluntary agreement. Mr Harvie asked me about it in Parliament last week. We are determined to actively lead a process to encourage and motivate companies based in Scotland to voluntarily participate in that agenda.

Johann Lamont: I accept that and I welcome that. The committee recognises the benefits of encouragement. However, if we consider the carrot-and-stick approach, there are quite big carrots available to companies in accessing public funding. Are you equally willing to recognise that some of the organisations with very bad work practices perhaps should not be accessing those grants?

John Swinney: I certainly think that we should use the possibilities of public sector support to drive better practice within the workplace.

Patrick Harvie: I am pleased that you said that you do not recognise the view of the world that was given in that quote from Scottish Enterprise. It surprised some of us as well. I am pleased that you are going to look into that.

You have talked about using account-managed status—the relationship with companies—as a channel of communication through which to encourage companies to engage in the fair work agenda and, we hope, to sign up to the business pledge and the commitments that it embodies. I acknowledge that it is early days but, at present, there are 2,300 account-managed companies and only 39 or 40 have signed the business pledge. Given the expectation that that channel of communication is going to be successful in achieving what you want it to achieve, would it be reasonable to have a target date for compliance with the business pledge—perhaps not for 100 per cent compliance, but for it to be the norm among account-managed companies?

John Swinney: I am not fixated on having a target, but I certainly want to see us make sustained progress on that journey. The account management process is designed to encourage the best working and business practices, and we have an opportunity through that dialogue to advance many of the arguments with companies and to encourage them to participate.

I would be staggered if a substantial proportion of the 2,000 or so account-managed companies were not already operating on a basis that was absolutely consistent with the business pledge and had just not got round to signing up to the business pledge. There will be a lot of good, strong practice going on within those account-managed companies, although there will be more that could be done, and there will be other companies outwith the account management system that we will need to encourage and motivate to participate, and that is what we will continue to do.

Patrick Harvie: I accept both of those points. However, would it be reasonable to have, if not a target date, a general expectation that, after a year of work, we should not still be in the situation of

2,000 account-managed companies not having signed up and that, after a couple of years, close to half of them should have done so?

John Swinney: I am certainly happy to look at whether the progress that we make from year to year is judged to be reasonable. If it is judged to be unreasonable, we can intensify our efforts to improve performance.

Patrick Harvie: Perhaps there could be an annual report to Parliament on the uptake.

John Swinney: Something of that type would be—

Patrick Harvie: It is a useful suggestion.

John Swinney: It is very helpful. Thank you.

The Convener: Before we leave that line of questioning, I remind members that the committee's report on those issues will come out tomorrow morning and should shed some light on the matter. There is a plan to hold a chamber debate on some of those matters in the next few weeks, which we can all look forward to.

Sorry, Deputy First Minister—do you want to come back in?

John Swinney: I do, actually. I have just had put in front of me the full quote from Adrian Gillespie. I was a bit surprised when I heard it earlier, especially when I heard where it had come from, but I will read the full quote. Mr Gillespie said:

"Our focus is on the growth element of inclusive growth. That is what Scottish Enterprise does—it stimulates growth, including in the key companies and sectors that we work with. The inclusive element of that presents a big opportunity, because what we are striving for through more internationalisation and innovation is for the economy to be more productive. The more inclusive we can make our assets, whether they be people or infrastructure, and the more engaged we can make the system of people skills, the more competitive and productive the economy will be. It stands to reason—and there is evidence to show this—that more inclusive economies grow faster."—[*Official Report, Economy, Energy and Tourism Committee*, 11 November 2015; c 35.]

Having now seen the full quote—

Johann Lamont: I do not think that that is fair work.

Patrick Harvie: It sounds like classic trickle-down to me.

John Swinney: Well, that is your view, Mr Harvie.

The Convener: If members could speak through me, as the convener, that would be helpful.

John Swinney: Having now read the full quote, I understand it and I think that the characterisation of it was somewhat selective.

Johann Lamont: It was certainly not intended to be. The important issue is not the label "inclusive" but the meaning of a fair work agenda, which is much more focused. We would have expected the budget to reflect that, but it does not.

John Swinney: I have explained today that that ethos is absorbed and taken forward by our agencies as well as by Government.

The Convener: We looked into that question when we carried out our inquiry into fair work, and it is relevant to the budget. We are all aware that Amazon has received some publicity for its employment practices—I will say no more than that. When it came to set up its plant in Fife, Amazon received a very substantial grant in regional selective assistance via Scottish Enterprise. Given the way in which Scottish Government policy on fair work has developed, if Amazon were to seek assistance from the Scottish Government or its agencies today, would that assistance be forthcoming without any conditions being attached?

John Swinney: We would apply the characteristics and the thinking of the business pledge to the requirements and conditions that we would expect a company that was getting public assistance to fulfil.

The Convener: We have moved on from the position of a few years ago, when Amazon got assistance.

John Swinney: Yes. That is a fair characterisation.

Chic Brodie (South Scotland) (SNP): Good morning, cabinet secretary. In giving an apology, Patrick Harvie mentioned that he regrets giving you credit for the budget. I am not known for fawning, but, looking at the UK finances, I think that you and your team deserve full credit for producing a budget that focuses, in particular, on continuing the creation of wealth with new hubs in London, Dublin and Brussels and through digital connectivity.

Scottish Enterprise's capital budget has been reduced by 23 per cent, but its business plan assumed the same capital allocation of £54.7 million for 2016-17. There has been an adjustment because we have introduced a financial transaction budget of approximately £21.5 million. Those financial transactions are to be repaid, but do we actually believe that they will be repaid? Is a mechanism in place to ensure that the financial transaction budget of £21.5 million that is in the Scottish Enterprise budget—there is no such budget for Highlands and Islands Enterprise—will be repaid?

John Swinney: Yes. The capital line and the financial transactions together total £63.4 million,

compared with an SE capital budget of £54.7 million in the current financial year, so there is a substantial increase in the resources that are being made available. The reason why Scottish Enterprise is an appropriate organisation to utilise the financial transactions is that they are, in essence, loan facilities and Scottish Enterprise is actively involved in a range of loan provision to different organisations. There is a good opportunity for us to use the financial transaction mechanism in an organisation that is tried and tested at issuing loans—and, of course, loans have to be repaid.

Chic Brodie: Another area that we are looking at, not in relation to repayment but in relation to savings, is the strategic forum and a recovery of £40 million in the budget. How often does that forum meet and do we know what was saved this year by the five bodies working together?

John Swinney: It is important not just that the forum meets—it meets a couple of times a year under my convenership—but that it creates a certain working environment. The responsibilities of Scottish Enterprise, Highlands and Islands Enterprise, VisitScotland, Skills Development Scotland and the Scottish Further and Higher Education Funding Council involve some common themes, and I am anxious to create an ethos and an environment within those organisations that is purposeful in trying to achieve a much greater impact through joint working and collaboration instead of having each organisation work within its own domain or silo. The strategic forum creates that opportunity and that platform, and it is able to deliver greater value as a consequence.

I have described to the committee before some of the thinking that went into the formulation of the innovation centre proposition, which is now being taken forward as a significant investment by the Government in improving the productivity of the economy. The proposition emerged out of our strategic forum work, and it is a combined development that has been delivered in the context of providing much more efficiency and value for money than was provided by previous ventures of that nature.

Chic Brodie: Are you content that the £40 million is a reasonable cross-functional saving?

John Swinney: Yes.

Chic Brodie: You have changed the depreciation of assets and how you move assets from Scottish Enterprise and Highlands and Islands Enterprise into VisitScotland, for example. How realistic are the asset registers of those organisations?

John Swinney: An assessment is made of the strength of assets. There can be significant variations in the strength and value of particular

assets, but the assessments must be made on a professional basis because they will drive the requirements for depreciation that are part of our wider budget.

Chic Brodie: Are software application costs capitalised or treated as revenue? In some cases, people treat them as revenue.

John Swinney: They are handled as resource.

Lewis Macdonald: Do you acknowledge that one of the highest priorities for the Scottish Government, currently and for the foreseeable future, will be to respond to the oil jobs crisis and its impact on the Scottish economy generally and the economy of the north-east in particular?

John Swinney: Of course. The situation in the oil and gas sector is very challenging. As we saw with the announcement from BP yesterday and with the earlier announcement about Petrofac, we have a significant challenge to wrestle with. Mr Macdonald will know that we have established the oil and gas task force, which meets regularly and is designing a work programme that aims to be productive and of assistance in trying to resolve what is clearly a very difficult situation.

10:45

Lewis Macdonald: That is helpful. I do not want to encourage an exchange of quotes from the *Official Report*, but Mr Swinney may be aware that I raised those questions with both enterprise agencies when they appeared before us as part of the pre-budget scrutiny process. Highlands and Islands Enterprise was quick to say that it was engaged in an assessment of the economic impact of the oil jobs crisis on the Highlands and Islands. Scottish Enterprise did not make the same comment, although, to be fair, it reflected on some of the other priorities that it has in responding to situations where people are losing their jobs.

Do you accept that assessing the impact of the crisis on regional economies is a priority and that, in order to direct funding and effort over the next year, it is important to understand the extent of that impact?

John Swinney: The Government's economic strategy places increasing emphasis on the regional economies in Scotland and, as a point of analysis, it is important that we consider and study the strength and capability of regional economies. The Scottish Government's economy board considers such questions and looks at the best policy measures we can take to resolve those issues. The energy jobs task force is just one example of how we take steps to focus on addressing what will be a more widespread issue.

The gross domestic product statistics that came in at 9.30 this morning show a decline in production that, undoubtedly, is not just a north-east issue, although it emanates from the difficulties in the oil and gas sector, but one that will have a much wider effect across Scotland. It is not easy to compartmentalise all the impacts. I accept that there will be a very significant impact on the north-east, but, as the GDP statistics show, there will also be a wider effect across the range of regional economies in Scotland.

Lewis Macdonald: That is the view that I hold, and it is shared by many others. A year ago, the Scottish Government, Highlands and Islands Enterprise and Scottish Enterprise all took part in and supported the oil jobs summit that was convened by Aberdeen City Council. The summit laid out some of the priorities for all the public bodies in responding to the situation.

The leader of Aberdeen City Council was interviewed this morning on BBC Radio Scotland and said that the priority now is for both the UK and Scottish Governments to come to the table with a positive response to the bid that Aberdeen has made for a city region deal. Does Mr Swinney share that view, and is it something that can be acted on in this financial year?

John Swinney: There are on-going discussions about the city deals. The initiative requires the participation and agreement of both Governments, and I am happy to confirm that good work has been undertaken in that respect. The Cabinet Secretary for Infrastructure, Investment and Cities met Lord Dunlop of the UK Government on Friday to discuss those questions. We are actively considering the different propositions that have been put to the UK Government in response to its call for bids.

Lewis Macdonald: Would any further provision be required within the Scottish Government budget for next year to enable support for Aberdeen's bid?

John Swinney: That would depend on the outcome of those discussions. If the outcome required financial support, I would have to make decisions about that.

Lewis Macdonald: Would that be within the scope of what you have available to you?

John Swinney: Yes. I would have to make that the case.

Dennis Robertson: I am grateful to Lewis Macdonald for mentioning the situation in Aberdeen and the north-east. Do you believe that there is a role for the Scottish Government in contacting the chancellor to secure meaningful tax breaks to provide an incentive for further

exploration to stabilise the industry and aid recovery in the medium to long term?

John Swinney: I met the chancellor—I am trying to remember which conversation we had. I met him in advance of the budget statement in March, and we discussed oil and gas taxation and the gravity of the situation that we face. The chancellor listened to the points that I made on a variety of issues and said that he would give them consideration. To be fair to him, he did give them consideration and acted on a substantial number of them. However, the one that he did not act on related to greater incentivisation for exploration. In the letter that I wrote to the chancellor recently, in advance of the autumn budget statement, I made the case for such a relief to be considered.

At our meeting, the chancellor asked me whether, if he did something that was helpful and beneficial, I would support it and give it encouragement. From the record, one can see that I have held my side of the bargain. What was delivered by the UK Government in March was helpful. We are going through a period when the situation is becoming more challenging and the need for the Scottish Government and the chancellor to look again at those issues is becoming ever more significant.

Dennis Robertson: Do you believe that such tax incentives would help to stabilise the industry and, in the medium to long term, lead to a recovery? Is there a role for the minister, outside the energy task force, to intervene alongside Oil & Gas UK and the trade unions?

John Swinney: Mr Ewing is actively involved in persistent discussion around the oil and gas sector—it is a relentless part of his responsibilities and he takes it very seriously. That involves discussions with companies, trade unions, Oil & Gas UK and the Oil and Gas Authority, which is a good innovation from the UK Government and is a well-led organisation that is providing real and effective leadership in a difficult situation. Some elements of what has happened are to be welcomed, because we are now in a better place.

Further incentives might help the situation. We have seen an improvement in production, but value is a major consideration in the current context. We are in a position whereby we need to explore every available option to make as much of an impact as we possibly can.

The Convener: We will publish a short report on the oil and gas industry on Monday, which will be based on the evidence that we took recently and will address some of those points. It is worth making the point in passing that, in the evidence that we took from the sector, although people said that any additional tax incentives would be

welcome, those were not at the top of their wish list. They were quite clear about that.

Thank you, Deputy First Minister, for coming to the committee and answering our questions. I also thank the Government officials.

10:53

Meeting continued in private until 11:02.

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