OFFICIAL REPORT
AITHISG OIFIGEIL

Economy, Energy and Fair Work Committee

Tuesday 24 September 2019

Session 5

The Scottish Parliament
Pàrlamaid na h-Alba

Tuesday 24 September 2019

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ECONOMY, ENERGY AND FAIR WORK COMMITTEE
26th Meeting 2019, Session 5

CONVENER

*Gordon Lindhurst (Lothian) (Con)

DEPUTY CONVENER

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

COMMITTEE MEMBERS

Jackie Baillie (Dumbarton) (Lab)
*Colin Beattie (Midlothian North and Musselburgh) (SNP)
*Jamie Halcro Johnston (Highlands and Islands) (Con)
*Dean Lockhart (Mid Scotland and Fife) (Con)
*Richard Lyle (Uddingston and Bellshill) (SNP)
*Gordon MacDonald (Edinburgh Pentlands) (SNP)
*Andy Wightman (Lothian) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Carroll Buxton (Highlands and Islands Enterprise)
Douglas Colquhoun (Scottish Enterprise)
Sandra Dunbar (Highlands and Islands Enterprise)
Steve Dunlop (Scottish Enterprise)
Rhoda Grant (Highlands and Islands) (Lab) (Committee Substitute)
Linda Hanna (Scottish Enterprise)
Nick Kenton (Highlands and Islands Enterprise)
Jane Martin (Scottish Enterprise)

CLERK TO THE COMMITTEE

Alison Walker

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Economy, Energy and Fair Work Committee

Tuesday 24 September 2019

[The Convener opened the meeting at 10:00]

Interests

The Convener (Gordon Lindhurst): Good morning, and welcome to the 26th meeting in 2019 of the Economy, Energy and Fair Work Committee. I ask everyone present to turn their electronic devices to silent, please.

Apologies have been received from Jackie Baillie. I welcome Rhoda Grant, who is here as a substitute member. As it is her first committee meeting in that capacity, I invite her to declare any relevant interests.

Rhoda Grant (Highlands and Islands) (Lab): I do not think that I have any relevant interests, but I will mention that I am a member of Unison, which may have some impact on the work of the committee.

Decision on Taking Business in Private

10:00

The Convener: Our next agenda item is to make a decision on taking business in private. Does the committee agree to take agenda items 5 and 6 in private?

Members *indicated agreement.*

European Union (Withdrawal) Act 2018

Proposed INSPIRE (Amendment) (EU Exit) Regulations 2019

10:01

The Convener: Item 3 on the agenda is on proposed regulations that the committee has been asked to consider in relation to a notification from the Scottish Government.

The regulations aim to create a European Union spatial data infrastructure for environmental policies. They will amend two sets of regulations that were previously considered by the committee and one set of regulations that was previously considered by the Environment, Climate Change and Land Reform Committee. In all three cases, the committees were content for the Scottish Government to give its consent for United Kingdom ministers to lay the regulations in the UK Parliament. The proposed new regulations are required because of a European Commission implementing decision that has now come into force. Further details can be found in the committee's papers.

Is the committee content to give its consent to the proposal?

Members *indicated agreement.*

The Convener: As the committee is content, I will write to the Minister for Public Finance and Digital Economy to notify her of the committee's decision.

Pre-budget Scrutiny 2020-21

10:02

The Convener: Item 4 on the agenda is pre-budget scrutiny. I welcome our panel of witnesses, who are from Highlands and Islands Enterprise, to this evidence session. Sandra Dunbar is director of business improvement and internal audit at HIE; Carroll Buxton is interim chief executive; and Nick Kenton is director of finance and corporate services.

I will start by asking about the 2018-19 performance measure targets, which were all comfortably met or exceeded. Were those targets sufficiently challenging? What role does the strategic board have in setting such targets? Should the targets have been set higher?

Carroll Buxton (Highlands and Islands Enterprise): You are absolutely correct: all the targets were met, although our jobs in fragile areas were slightly lower in the range than we might have liked.

At the half point in the year, we were significantly below straight line in performance against our targets. We thought that the targets would be very challenging to meet. As it turned out, we had an increase in demand in the second half of the year and, as such, we did meet our targets.

With hindsight and in retrospect, we could have set more challenging targets. For future years, we are considering reviewing that as we go through the year. If it looks as if certain targets were not as challenging as they should have been, we would look to enhance them as the year goes on.

Setting the targets is not an exact science, but we consider our carry-forward commitment against the budget, the cash that we will have available and what is in the pipeline, and we try to set a target that reflects that, while being sufficiently stretching. The second half of the year last year very much boosted our performance against the targets.

The strategic board does not have a direct role in setting our targets. It saw the targets that we set while examining our strategic and operating plan, but our own board reviews our targets, and the request to review them has come from our own board.

The Convener: Last year, the committee recommended that the enterprise agencies produce more explicit and measurable growth targets in their business plans. Will you tell us where you are at on that?

Carroll Buxton: I am sorry, but are you asking about inclusive growth?

The Convener: I think so. Yes.

Carroll Buxton: We have a number of targets that are aimed at monitoring and measuring inclusive growth. As I said, that includes a target for the number of jobs that are created in fragile areas—the much more challenging and peripheral areas across the Highlands and Islands. We set an average wage target for jobs that are created, which is above the average wage for the region as a whole. We look at investment in community assets and the increase in turnover from community-owned assets. All those areas reflect elements of inclusive growth.

We have a business values ladder, against which we plot all our account managed businesses. We plot the fair work practices that the clients whom we account manage have adopted in their businesses, and we plot how those businesses progress up the ladder year on year.

Those are the key areas that specifically relate to inclusive growth.

The Convener: Is the plotting of account managed businesses against that ladder a new thing or something that you were already doing?

Carroll Buxton: We have done that for a couple of years; it is relatively new. We have talked previously about businesses signing up to the Scottish business pledge. To be fair, not a huge number of businesses in the Highlands and Islands have adopted the business pledge. However, the business values ladder reflects a lot of aspects of the business pledge and enables us to get a feel for which businesses are adopting fair work practices.

The Convener: How are the businesses doing on the business values ladder?

Carroll Buxton: About 75 per cent of our businesses and social enterprises are currently plotted on the ladder—the process is on-going. There is a good mix. Just under 65 per cent of the businesses for which we have evidence are paying in excess of the real living wage, which is a positive story, given the range of sectors across which we work. Progress is certainly being made.

Our business panel has quizzed businesses on the fair work elements that they have adopted. There is a rise in the number of businesses that are involving employees in decision making, looking at flexible working and so on. There is progress.

The Convener: Some businesses are climbing the ladder.

Carroll Buxton: Yes.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Will you tell us a wee bit about the strategic direction that HIE is embracing? Scottish Enterprise, which will give evidence later in the meeting, has announced a fairly major change in its direction of travel; it is looking more at regional development partnerships and tackling inequalities, as opposed to focusing on growth sectors in Scotland's economy, as it used to do. Are you thinking about making such a shift? If so, why? If not, why not?

Carroll Buxton: Highlands and Islands Enterprise, as a regional economic development agency, has always had a focus on people and place in its strategy, and inclusive growth is part of that. That has always been a priority for us, and we flex our approach in different parts of our region.

I mentioned our target for measuring jobs that are created in fragile areas. We might work differently with a business or enterprise in a peripheral or fragile area and offer it a different basket of support that will enable it to grow and develop.

We have a very broad business base and work with businesses of all sizes. We are currently looking at how we can assess the impacts of developments in more fragile areas and weighting them to see how they compare to developments in more urban or central areas. For our purposes, two jobs that are created in Coll are worth an awful lot more to the community than two jobs that are created in Inverness or Elgin. We have always taken that approach, so it may not be such a significant change.

On collaboration and partnership, we work closely with our regional partners. We have in our area the convention of the Highlands and Islands, which comprises all the public sector bodies. In a way, it is a regional economic partner, because it is where all our partners come together and consider what our key priorities are. We raise common issues, which are often transport or housing related—they are things that we all see as big barriers across the region—and we see whether we can work together to address them. We also work closely with the University of the Highlands and Islands and specific local authorities in particular areas in our region.

Willie Coffey: How do you gather in data, intelligence and information about the impact that you are having in all the disparate communities that HIE represents? How do you then present that information to people such as us and the wider public?

Carroll Buxton: The week before last, you heard from a couple of my colleagues about the evaluations that we undertake to measure that, particularly in fragile areas. I think that our evaluation of support and assistance for community development was mentioned. One factor that came out of that review was that we need to look at that over a longer period of time, because it often takes longer to measure the impacts of community development.

One of the ways in which we try to get things across to our wider stakeholders is through preparation of case studies. We have quite a lot of case study material on our website and in written form, and we use that to demonstrate how we can offer different types of support to different organisations and what has happened as a result of that. An interesting example is Harris Development Ltd, which we have been working with for a long time. With some relatively low-level support at first, which helped it to establish itself, and a bit of capacity building, it has gone on to develop tourism facilities such as the pontoons, which are attracting more business to the area, and business units, and it is even looking at housing developments and other such things. The case studies are really good examples because they make things very real.

Willie Coffey: The convener asked you about the targets being met and whether you should be pushing yourselves to deliver more. How do you evidence that you are reaching out and giving yourselves more challenges to achieve? How can you demonstrate that to us?

Carroll Buxton: The proof of the pudding will probably be in the eating. As I said, we had a discussion about that at our previous board meeting, and we will have another one in October. A clear message came from our board last year that it is not necessarily a bad thing not to reach a target. That discussion is on-going.

I am sorry—I am afraid that that is not really a direct answer but, as I said earlier, it is not an exact science. We thought that our targets last year were going to be more challenging, because a high level of commitment was carried forward, which limits what we can do in-year. We just need to keep trying to improve how we set our targets.

Andy Wightman (Lothian) (Green): I will move on to Brexit. We have not talked about that for a wee while. I note that Scottish Enterprise, business gateway and so on have a prepareforbrexit.scot website, which is reasonably useful. However, it is quite passive in the sense that people have to want to go there and have a look to see whether they can find what they want. What active steps are you taking as an enterprise agency to engage with businesses across your region and ensure that people are ready for whatever outcome may arise?

Carroll Buxton: We are also a partner in the prepareforbrexit.scot website, which has been a very useful tool. As you say, it is quite passive. In addition, our account managers across the region have been proactively going and speaking to their clients, talking to them about what they see as the key challenges, and offering any support that we think could assist them in planning for Brexit. We have had some specific events—for example, on the aquaculture sector, which could be particularly hard hit by tariffs—and we have organised workshops and events to inform and update people.

I think that the committee has previously seen evidence from our business panel. Through it, we ask a series of questions about where businesses think that the biggest challenges lie. It will come as no surprise that access to markets and access to labour are among the strongest challenges to be identified. Where businesses have specific issues, we are seeing what we can do to help them—for example, by looking at how they can upskill their workforce to mitigate some of the skills issues or access labour from other parts of the country or the world.

10:15

We are taking some specific actions with businesses, but it is the on-going conversation that we have with our account managed businesses, in particular, that helps to keep our intelligence fresh and enables us to identify what individual businesses need by way of direct support.

Andy Wightman: I notice that you are offering a Brexit support grant of up to £4,000. How much uptake of that has there been in the HIE region?

Carroll Buxton: I do not have the exact figure, but we can supply that afterwards. There has been a reasonable uptake of the grant, which is available Scotland wide.

Andy Wightman: What, typically, are people using that for?

Carroll Buxton: In quite a lot of cases, they are using it to access advice to plan for specific aspects of Brexit. In the main, it has been used for advice and support.

Jamie Halcro Johnston (Highlands and Islands) (Con): My main questions will be about the Cairngorm funicular railway. Before I ask those, I have a question about the £7.7 million of financial assistance that was written off in the 2014-19 period, which, according to your submission, related to assistance that was approved pre-2014. Does that figure relate to moneys that were allocated and drawn down?

Carroll Buxton: Are you referring to the write-off figure?

Jamie Halcro Johnston: Yes.

Carroll Buxton: Yes, that is right.

Jamie Halcro Johnston: For the 2014-19 period, £7,500 has been written off so far. By how much do you expect that figure to increase?

Carroll Buxton: That information will come in in future years.

I will provide some clarification on the £7.7 million figure, which relates to all the write-offs during the 2014-19 period. Some of those date back a significant length of time. The earliest one originated in 1998; the bulk of them were from 2007. We do not have here the figure for the total amount of grants and loans that were awarded in that period, but we could get it for you. That would give you an indicative percentage. However, the £7.7 million figure relates to a very long period.

I am sorry—what was your question about?

Jamie Halcro Johnston: At the moment, the figure that you have for the 2014-19 period is £7,500.

Carroll Buxton: That is the amount that has been written off out of the assistance that was awarded in that period.

Jamie Halcro Johnston: Yes, but I imagine that you expect that figure to increase significantly in the long run.

Carroll Buxton: I expect it to increase, but that will happen in future years. I would be hard-pressed to put a figure on what I expect it to increase to. If it would be of interest, I could relate the £7.7 million to the total value of the money that was expended in the period in question, to give a trend.

Jamie Halcro Johnston: That would be useful.

Your submission includes tables on "Financial Assistance Committed 2014-2019" and "Financial Assistance Drawn Down 2014-2019". There is quite a large discrepancy between the two figures for 2014-15—£42.1 million was allocated and £8.1 million was drawn down. I appreciate that money can be drawn down over a period. Is there any limit to the period over which money can be drawn down once it has been allocated to a company?

Carroll Buxton: Yes. We try to work with companies, but some developments slip. The figure for commitments in that year was particularly high because we had a large number of significant projects—there were probably about seven or eight projects that were well in excess of £1 million and some of them were multimillion pound projects. In addition, 2014-15 was also the last year in which we were able to award assistance to large enterprises, so there was a bit of a push from some businesses that knew that that would be their last opportunity to obtain assistance.

Jamie Halcro Johnston: I asked the question because of the extent of the discrepancy—it is a discrepancy of £34 million. I appreciate that not all the money that was allocated will have been drawn down by the end of the period, but it is still a large gap.

Could a company apply for and be allocated money but not draw it down until five or 10 years later?

Carroll Buxton: The timescale tends to be for the first amount of drawdown, but a block of assistance could cover a number of projects for a business over a specific time, so there can be a bit of a lag.

Our submission indicates the amount that we expect to be drawn down in the near future. I cannot remember the exact figure, but it is more than £25 million. The figure is almost equivalent to the amount that was awarded.

Jamie Halcro Johnston: I am interested in what happens when a company is allocated money, and, five years later, it seeks to draw down the remainder of that money. What further checks and balances are done on that drawdown? The whole business environment, and the priorities, could have changed. Are there checks to ensure that it is still a business that you want to invest in?

Carroll Buxton: Yes—that is done through our account management process; a person is allocated to those businesses. The money is allocated specifically for the project that was originally approved. If there was to be a change in that project, we would need to go through the diligence process again and ensure that it was still going to achieve the impacts and outputs that were originally expected. There is a process of checking.

Jamie Halcro Johnston: So you would hope that the business, and the project in question, were still viable and sustainable.

Carroll Buxton: Yes.

Jamie Halcro Johnston: I will ask about the Cairngorm funicular railway, which has come up quite a lot. Audit Scotland's section 22 report, "The 2018/19 audit of Highlands and Islands Enterprise: Cairngorm mountain and funicular railway", states:

> "While HIE's intention is to repair and reopen the funicular, it is still not clear how much it will cost to do so, how it will be afforded, or what impact it will have on HIE's financial sustainability. HIE has recognised these risks and raised them with the Scottish Government. Tough decisions are likely to be required over the coming months."

Will you give us an appraisal of where you are with the funicular? What is your relationship with the

Government? What discussions are you having with it? How will deliver on your intentions?

Carroll Buxton: We work very closely with the Government on that issue. As you say, and as Audit Scotland rightly said, it is a challenging project. We will not know the final figure for the repairs until we go out to procurement, but in the interim we have some fairly high-level estimates of what the cost would be. We have discussed with the Government how that cost might be phased through the years, and how some of the income that HIE has achieved could be used to fund the project.

I do not know whether Sandra Dunbar wants to say anything else about the funicular.

Sandra Dunbar (Highlands and Islands Enterprise): As Carroll Buxton said, the project is challenging. We have, with good expertise from professional companies that are experts in bridge engineering, sought to understand the engineering issues that we face. We also have some high-level indicative costs, which we will now take forward into a procurement process of early contractor engagement, so that we have a good understanding of the likely cost. We will use that to develop a clear business case; that is very important to us, so that we are clear about the project management arrangements and the cost in order that delivery will be successful.

Jamie Halcro Johnston: The figures that I have in front of me suggest that with all the work that needs to be done, the cost will be about £11 million. Will you want Government support for that? If you do not get that support, and the cost has to be met from your sources, how will that impact on your ability to invest and support businesses elsewhere, given that your budget is already under pressure from a number of years of cuts?

Carroll Buxton: Our discussions with the Government to date have been very positive. We are getting a lot of support from our sponsor team.

That situation would be challenging but, as I said, we have been in discussions with the Government. In addition, HIE has retained significant income from the sale of a significant asset, and we are positive about potentially using that money.

Jamie Halcro Johnston: That money might have been used for investments elsewhere.

Carroll Buxton: That money would be over and above our core budget.

Jamie Halcro Johnston: Okay. Thank you.

Rhoda Grant: On the impact that the funicular railway problem is having, a large sum of money would need to be invested to put it right. If you did nothing, what would be the cost to HIE and to the local business community?

Carroll Buxton: We have relatively high-level costs in that regard. You will be keenly aware that, when the funicular was built, there was a section 50 agreement with our partners. The agreement means that the funicular, if it is out of operation or ceases to operate for a period and there are no plans to repair it, has to be removed from the hill and the hill has to be reinstated to how it was before the funicular was built. Currently, the estimated cost of doing that is significantly greater than the cost of repairing the funicular. We also need to look at the full-life cost.

Last year, the SE Group—an international specialist in mountain resorts—did a significant piece of work for us, which said that the funicular is fundamental to the all-year-round offer at Cairn Gorm. It offers access to the top of the mountain for people of all ages, sizes and abilities, so our not having it would have a significant impact on the mountain's ability to attract visitors.

We are looking at economic impact work, to establish the impact of the mountain on the wider economy. From your discussions with the local business community and others, you will realise how important people think activities at the mountain are; people value the mountain's ability to draw visitors into the local economy, where they will use other businesses, particularly in Aviemore and Glenmore.

The cost of removal is significant. The SE Group report gives us examples of improved uplift facilities and their cost, including a working funicular, which ran into many millions of pounds. We see the funicular as being a key component of a sustainable year-round offer at Cairn Gorm.

Andy Wightman: On page 91 of HIE's "Annual Report and Accounts: 2018-2019", the table under the section on "Provisions and other charges", includes a figure of £9.581 million for construction costs.

Under the table, you note:

> "The construction cost provision arises due to the decision to repair the funicular railway on Cairngorm Mountain."

When did you decide to repair the funicular railway?

Carroll Buxton: As Sandra Dunbar said, on the basis of the initial figures for repair versus removal, it looks as though repair is the best option, so we are focusing on that. However, we will have to present a full business case before the final decision can be made. At the moment, our intention is to repair the funicular.

Andy Wightman: Are you saying that no decision has been made to repair it yet?

Carroll Buxton: We will not be able to make a final decision until we have a full business case, which will be dependent on the final figures.

Andy Wightman: When will the final figures be available, roughly?

Carroll Buxton: They should be available before the end of this calendar year.

Sandra Dunbar: Our working assumption is that we will have a business case in December, which will be refined once we have firmer contractor costs. We have an outline business case, which is high level and indicative, based on the work that we commissioned from expert bridge engineers, and we will refine it into a full business case.

Andy Wightman: Will that business case look closely at the option of removing the uplift facilities altogether?

Sandra Dunbar: Yes.

Andy Wightman: Will it do that particularly in the context of climate change and the fact that a mechanically assisted ski resort will not have much of a future?

Sandra Dunbar: The work that we did with the SE Group challenged assumptions about the viability of a mountain ski resort and considered how we diversify so that the resort is more of an all-year-round attraction. All that will be reflected in our wider business case. We will look carefully at the importance of the funicular as an asset in that context.

Andy Wightman: Carroll Buxton said that the cost of removal is higher than the cost of repair. Do you have a rough idea of the cost of removal? In your accounts, you give a specific figure for repair—it is £9.581 million—but you have not completed the business case. You must have an equivalent figure for removal.

Carroll Buxton: I think that the figure just for the removal of the railway structure, which we need to refine to ensure that we include the full cost of reinstatement, is about £13.5 million.

Andy Wightman: Thank you.

10:30

Jamie Halcro Johnston: What is the earliest date at which you expect the funicular to be operating again, should you decide to repair and reinstate it?

Carroll Buxton: The funicular will certainly not be back in operation in the coming season. If everything went according to plan and there were no hitches with the weather and contractor mobilisation, the earliest that the funicular would be back in service would be the following winter season.

Jamie Halcro Johnston: What could possibly go wrong? Thank you.

Colin Beattie (Midlothian North and Musselburgh) (SNP): Your annual report details some fairly significant financial risks: the space hub Sutherland project, VAT liability, the funicular, which we have been talking about, and the impact of the sale of the centre for health and science. I am interested in how you are managing those risks and whether you have the in-house skills and capability to manage them. For example, with the funicular, you have already spent £244,000 on external consultants, I presume to provide tax accounting and legal advice. How are you managing the risks? Are you managing them successfully? What level of internal skills do you have and will you have to continue to buy in that clearly expensive expertise from outside?

Carroll Buxton: For an organisation of our size, it is not always cost effective to employ a certain level of very specific expertise. You are right that, for the high-risk projects, we are buying in additional expert advice, particularly for the funicular, which I think is right and proper. The space hub Sutherland project is unique—it is the first time that such a project has been done in the United Kingdom. In fact, the model for the commercial space port is unique internationally, as most other space ports have Government support, whether that is to do with operation or launch. We have project management resources in HIE to manage the projects, but we will continue to buy in expert advice when it is appropriate to do so.

Colin Beattie: What level of internal skills do you have? Obviously, you buy in expertise for specific projects, but there has to be somebody in the business who has the skills to manage all that and identify the risks and the people who can address those. Do you have the skills to do that?

Carroll Buxton: Yes, I believe that we do. We have procurement advisers, legal staff and good-quality project managers. Part of their role is to recognise when we need to go externally for additional support.

Colin Beattie: Leaving aside the funicular project, for which we have some figures, is there a budgeted figure for the coming year for spending money on that additional support?

Carroll Buxton: We have framework contracts for procuring some of the expert support, for which we have amounts budgeted. However, it is not always possible to budget in advance for something like the funicular problem, which is exceptional and for which we have to approve an additional budget. Nick Kenton or Sandra Dunbar might want to comment on that.

Sandra Dunbar: We seek to ensure that we have good staff making intelligent decisions on project management and legal issues, and who draw on lessons learned. However, as Carroll Buxton said, we have also established some framework agreements whereby we can easily access external expert resources that would supplement our own intelligent customer knowledge. In addition, we have costed, particularly for our Cairngorm funicular project and the space hub Sutherland project, staff costs and the costs of external professional support. We have therefore sought to understand that as part of our project management capabilities to support our projects.

Colin Beattie: What figure are they coming in at?

Sandra Dunbar: I do not have the figure to hand, but we could provide it.

Colin Beattie: I would be interested in knowing what it is. Obviously, there is great sensitivity when it comes to consultants and paying for them, and there is always great interest in how much they are costing.

You face a variety of risks. Are they likely to impact on your ability to deliver economic development services in the Highlands and Islands?

Carroll Buxton: As you know, we are a dispersed organisation—we have teams across the Highlands and Islands and a lot of locally based staff who are delivering to businesses and communities across our area. Some of the projects can take up significant amounts of senior time in particular, but I think that we can still deliver across the Highlands and Islands with our dispersed staffing model.

Colin Beattie: I will keep using the funicular railway as an example, because it is an obvious one. As you will clearly understand, there is a concern that, if staff are being diverted to that project and a lot of management time is going into it, that will deflect attention from the bread and butter work of the business. Are you satisfied that the day-to-day business is not being neglected in order to deal with the bigger issues?

Carroll Buxton: We regularly monitor and report to our board at every meeting on how our bread and butter—our day-to-day—business is progressing. To date, we have been managing that business in addition to the resource that is having to be put into the higher-risk projects. We allocate senior members of our leadership to be the lead on some of those projects—we do that for space hub Sutherland and for the funicular—but we try to ensure that our senior management time is not all focused at on a particular project at the same time and that we can continue to oversee our key role.

Dean Lockhart (Mid Scotland and Fife) (Con): In your most recent annual report, you say:

> "The Scottish Government set the 2019-20 budget on a one-year basis again. Therefore, the financial outlook for HIE beyond 2019-20 is unknown but it is certain to remain very challenging."

What would you like to see from the Scottish Government that would assist HIE financially and otherwise?

Carroll Buxton: Having multiannual budgets and the foresight that that brings would be great, but we appreciate that the UK fiscal position at the moment does not necessarily support the Scottish Government in providing such budgets. We work closely with our sponsor team on the challenges and opportunities that we are facing, and in years in which we have a significant opportunity that will stretch our budget, we work with the sponsor team to see whether there is any way of boosting our budget. A good example of that is Wave Energy Scotland, which we get budget over and above our core grant in aid to support.

We need to have a close working relationship and good communications with the Scottish Government, and we all need to be flexible when significant opportunities or challenges arise. In that way, we can have an honest conversation about what the financial challenges might be and how collectively we can address them. For example, as I said earlier in relation to Cairngorm, if HIE has an opportunity to look at income that could be used to offset the financial challenges, that is the approach that we need to take.

Dean Lockhart: Will you give us a sense of your engagement with the Scottish Government and of the level of guidance and direction that comes from it? For example, when you set your performance targets, are the targets signed off by the Scottish Government, or do you discuss them with the Government?

Carroll Buxton: We certainly give the targets to the Scottish Government when we are preparing our operating plan. The Government does not formally approve the targets as such, but I think that it would comment if it thought that they were particularly out of kilter, or if the target measures were not appropriate. We have a lot of discussion at that level about what type of thing we should be measuring and what our core set of targets are, but it is our board that formally signs off on the target ranges.

Dean Lockhart: I have a question about the Scottish national investment bank, which is scheduled to become operational next year.

Presumably, the bank will bring with it more funding for the green deal and otherwise. We have heard from the bank that it will not act as the originator for funding opportunities, and it will look to the enterprise agencies to find that additional demand. How do you plan to find those additional funding opportunities and do you have enough resource as you are currently staffed for that potential step up in demand?

Carroll Buxton: We have worked closely with the Scottish national investment bank—first, in the early days, to ensure that the offer was going to be appropriate for businesses across Scotland as a whole. In terms of identifying opportunities, one of the tasks that we have set our staff—we have a member of staff who looks at other funding opportunities—is to lever in as much additional funding to the region as we can, almost to supplement HIE's grant in aid.

A lot of the opportunities that we are looking at are with our current cohort of businesses. We are talking to our business clients and community and social enterprise clients about, for example, the net zero emissions target, how they can build that into their business planning and how the opportunities might align with the offer from the Scottish national investment bank, for example. It is through our dispersed staffing model that staff who are close to their businesses and communities can identify opportunities and take those proposals to colleagues in the bank.

Dean Lockhart: Is there an existing pool of unmet demand that additional money from the bank will satisfy, or will you have to reach out and find new opportunities that perhaps did not exist previously?

Carroll Buxton: It is probably a mix of both. All our clients are looking at how they can deal with the climate emergency. Some of the projects are emerging ones—they would not necessarily have been sitting there previously. There are community energy projects, for example. We have had examples in the past of island communities looking at their own energy solutions, particularly off-grid ones. Some projects are already in existence, but I think that others will emerge through discussion with businesses about what more we could all be doing to address the climate emergency.

Dean Lockhart: Finally, do you have enough resourcing, staff and expertise to meet the increased demand that will come on stream as a result of the bank implementing the green deal?

Carroll Buxton: We have already recruited one additional staff member to look specifically at some of those funding opportunities and to work with the bank. Our senior managers in HIE are also working closely with the bank. It is about developing and adding to the knowledge of our current staff and it is about working collaboratively with others, including our colleagues in the bank. That is key.

Richard Lyle (Uddingston and Bellshill) (SNP): If you drive around the Highlands and Islands, you see signs that say, "Partly funded by the EU" or "Funded by the EU". You have had about £30 million in funding from the EU over a number of years. Last year, the amount was just over £3 million. How will the loss of that funding affect you if we come out of the EU at the end of October?

Carroll Buxton: Losing access to EU funds is a challenge. It goes back to what I said in answer to a previous question about looking at all other alternative funding sources for the types of projects that we want to take forward.

We still do not have an awful lot of detail on the shared prosperity fund, which is aimed at replacing that EU funding. We have contributed to a number of consultations and given input to various evidence sessions on the shared prosperity fund on how we think that it should work. It is about addressing disparity, which is particularly relevant in the Highlands and Islands.

We have work already in progress on how we can tap into other sources of funding to try to supplement what will not be coming through from the EU. We are also looking at some of the cross-border and collaboration programmes that we may still be able to access with partners from within the EU. I think that there were a couple of mentions in previous evidence of some of those cross-border and collaboration programmes that we could still access to lever some of that funding into the region.

10:45

Richard Lyle: I have a couple of questions. I noticed that you delayed the payment of your bills during a two-month spell because of "exceptional pressure" on your cash flow, and that you abandoned your usual adherence to the Government's 10-day prompt payment policy and moved to a 30-day payment policy. That was partly because of your spend on the new £6.65 million Orkney research and innovation campus. I think that you have been questioned by the Public Audit and Post-legislative Scrutiny Committee about that. Are you back on track?

Carroll Buxton: Yes, we are now. As you quite rightly point out, there was a period when we were making payments in 30 days and were not meeting the 10-day target. That was a cash-management issue.

Nick Kenton (Highlands and Islands Enterprise): We are catching up on the shortfall from the EU and ORIC, so we expect our performance to improve this year.

Richard Lyle: Several million pounds was outstanding to creditors. Is that all squared up?

Nick Kenton: The amounts that were outstanding at the time would have been squared up, but clearly—

Richard Lyle: Okay—I will not concentrate on that issue.

Which regions, sectors and communities have benefited most from regional selective assistance in the Highlands and Islands?

Carroll Buxton: I have got some information on that. There have not been a huge number of RSA approvals in the Highlands and Islands. We have had a couple of projects in the port infrastructure sector, to support oil and gas; there have also been projects relating to other marine activity and life sciences.

Richard Lyle: I noticed that Aberdeenshire Council complained that, because it did not get access to funding, some jobs moved to Glasgow. Is that the case?

Carroll Buxton: I am sorry, but that is not in the HIE area.

Richard Lyle: Okay. Is regional selective assistance funding consistent with the Government's commitments to fair work and inclusive growth?

Carroll Buxton: Scottish Enterprise manages RSA. This year, it has piloted conditionality, which aligns to the fair work elements. It could probably give you a bit more information on how RSA flows through the system.

Richard Lyle: That is fine—thank you.

The Convener: I thank all three of you for coming in today. I suspend the meeting to allow a changeover of witnesses.

10:47

Meeting suspended.

10:51

On resuming—

The Convener: Welcome back to our session on pre-budget scrutiny. From Scottish Enterprise, I welcome Linda Hanna, managing director, strategy and sectors; Steve Dunlop, chief executive; Douglas Colquhoun, director of finance; and Jane Martin, managing director, business services and advice.

I invite Steve Dunlop to make a brief opening statement.

Steve Dunlop (Scottish Enterprise): I was fresh to the post last year and now, a year in, I would like to mark what has been a very busy and successful year for Scottish Enterprise. I want to pick up some of the main points and the emphatic shifts. First, I offer huge thanks to Douglas Colquhoun and the whole team on the annual report and accounts. I am certain that, in the course of questions from the committee, we will go through some of the key outcomes from last year's performance. Those outcomes were achieved against a background of significant change in the organisation.

As members know, in the summer we launched "Building Scotland's Future Today", which is our new three-year framework, into which our one-year plan is integrated. That is a significant change for the organisation. All the changes are predicated on recognising that Scottish Enterprise is not only an organisation, but a fundamental part of an economic development system for Scotland. Therefore, we now partner, collaborate and share in a way that responds to what Scotland needs of Scottish Enterprise, rather than what we are prepared to give it. That is important for the whole system, under the guidance of the strategic board.

To clarify a very complex business organisation that has huge depth and spread across Scotland, we wanted to articulate three pillars on which we operate. Our first pillar is international. We will redouble our efforts on foreign direct investment, building on Scotland's excellent track record over many years—we do not want to drop the ball on that, but we will review how we can do better. The exporting nation strategy was created this year, and our people, resources and capacity will be directed at redoubling our efforts and performance around the export agenda.

We want to reach in and do more to attract human and financial capital to Scotland. Our business base tells us that it is worried about retaining and attracting talent, and we need to support its efforts. We have a huge resource internationally in our talent base of global Scots. We want to do significantly more with that community and, indeed, to expand it, and we want to do that with partners and agencies across Scotland, including the chambers. The international pillar is really important, given the circumstances that we face with regard to Brexit.

The second pillar is an emphatic shift for us, as an economic development agency. It may sound straightforward, but we want not just to support businesses but to play a full role in Scotland's economy, particularly as all of Scotland has regional economic partnerships of one shape or another. It is important that Scottish Enterprise deploys itself into those partnerships to make sure that our people, resources, insight and talent are utilised by them, with our perspective that brings regional investment prospectuses that can add up to a national prospectus for Scotland to compete with on a global platform. We want to focus on particular communities under the economic development pillar that Linda Hanna leads, which are strategic relationships with our universities and colleges and, in particular, bringing together the entrepreneurial community.

Jane Martin leads on the third pillar that we will concentrate on, which is around business support. We are not taking our eye off the business community. We want to provide a digital platform that is a single entry point driven by the enterprise and skills review, working as a family and in concert with the system. It will be a place where all businesses can come through the portal and be shepherded to the organisations that will be able to provide the best bespoke resource to them. Over time, we want to begin to deploy grants through the platform, which will do two things: free up our human capacity to be redeployed to support the businesses that need it most and allow us, through insight, to shift and begin to look for and excavate talent instead of being passive and waiting for businesses to come to us.

Those are emphatic shifts for us, which are underpinned by strong people and finance strategies, which I am delighted that the organisation and the wider community have embraced. We will continue to face big challenges, not least how we will respond to Brexit, which I am sure you will be interested in; how we will articulate the organisation's role in dealing with the climate emergency and seeing it as a climate opportunity with an enterprising approach; and, at a pragmatic level, how we will enable and support the creation of the Scottish national investment bank and south of Scotland enterprise.

That is all that I wanted to say by way of introduction.

The Convener: Thank you very much. I will start by asking about the objective of RSA to reduce regional labour market inequalities. Is that being achieved, and is a policy with a primary focus on employment as relevant, given high employment levels and the wider challenges around productivity and innovation levels?

Jane Martin (Scottish Enterprise): I can deal with that question. The short answer is yes, it is still very relevant. As you said, RSA was established many years ago to create and safeguard jobs in selected areas that were less prosperous, based on employment rates and gross domestic product per capita. Scotland's economy still has inequalities and we still need to stimulate the market to invest in the cooler areas of the economy. In the past five years, despite lots of changes to RSA, something like 80 per cent of the jobs that have been created through that investment and more than 90 per cent of the capital investment that has been stimulated have been in those areas.

The objective is still very relevant and, going forward, we could go further in the area of inclusive growth. Our organisation is considering how to use incentivisation across Scotland's regions—we do not have the answer yet, and it will be interesting to see the committee's findings, which may be helpful to us. On the question whether we could and should go further in Scotland's regions to stimulate investment where it is badly needed, the evidence shows more than 17,000 jobs across those parts of the economy and £1 billion capital investment over the past five years, as you will have seen. In addition, although RSA is about regions and the intervention rate level is less, small and medium-sized enterprises across Scotland can benefit from the RSA scheme.

Finally, although RSA is an important tool, it is only one tool and what is more important is the overall offering that we can provide in working specifically with individual companies, understanding their needs and the opportunities and thinking about what parts of our toolkit we can use. For example, RSA is approximately 15 per cent of our overall grant portfolio, but with regard to innovation, which was referred to earlier, our research and development grant is 35 to 37 per cent of our portfolio. In the round, we therefore have the right tools and we use them as we see fit to ensure that we get the maximum impact for Scotland's economy.

11:00

Rhoda Grant: Is RSA funding consistent with the Government's commitment to fair work and inclusive growth?

Jane Martin: Yes. From the start of this year, we will not entertain any grant funding for companies that do not pay the real living wage and we will not put funding into contracts that are based on zero-hours working or anything like that. However, prior to our current position on that, between 80 and 93 per cent of the companies with which we worked paid the real living wage anyway. It could therefore be asked what difference our new policy is making, but what is important is the signal that we are sending to Scotland's business base and, potentially, to international business that Scotland values a certain kind of business. We should be assertive and positive about that. If we look at what is happening elsewhere in the world, we can see a consumer base in which people are even more interested in the kind of companies that they buy their products from. Scotland can make a play in that sense and be very vocal and upbeat about the kind of businesses that we want to partner with.

Rhoda Grant: Those changes have not been reflected in the national performance framework business and fair work outcomes. Given that we use the NPF to measure whether the budget meets the Government's policy, should there be changes in that and does it hold you back in any way?

Jane Martin: I do not think that it does. The national performance framework is about the whole system, but some of the measures that we have in place are about holding ourselves to account and ensuring that we are delivering on our bit of it. I therefore do not think that the NPF should be changed, because it is a good ambition for us all to be working towards. From earlier evidence, the committee has heard that we are coming together as agencies, or as a system, to think about what the NPF means for us and how we can ensure that we meet the NPF objectives.

Colin Beattie: Value for money is obviously at the forefront of everybody's mind. How do you monitor value for money with RSA jobs?

Jane Martin: There are three different areas, the first of which is leverage. For RSA, we are putting in 30 per cent of the costs at maximum, so we are getting very good private sector leverage of 70 per cent for Scotland's economy. That is very important. The second area is the investment that we are putting in and the outcomes. Some of the evidence that we have shared with the committee shows that we have invested £129 million over the past five years, which has achieved almost £1 billion of capital investment for the areas across Scotland that need it and created more than 16,500 jobs. That is value for money. Thirdly, in looking at cases very recently we have also assessed tax intake. A case might stand on its own based on the fact that it would see an increased tax intake for Scotland for public services. We have started to look at that and to track it. It is very early days for us, but I think that that is also an important dimension.

Colin Beattie: We do not actually see corporate tax, so I guess that you are talking about income tax.

Jane Martin: Yes.

Colin Beattie: What is the average cost of delivering each net additional full-time equivalent job?

Jane Martin: The average cost is £7,730, when you rack it all up.

Colin Beattie: Did you say £730?

Jane Martin: I said £7,730.

Colin Beattie: I thought that that was a bit cheap [*Laughter*.] Do you consider that to be value for money?

Jane Martin: I do. When we look at grant products and what we put out, a lot of the questions are about cost. We need to think about the value that is created. In some parts of Scotland, such investment is giving people work for the very first time. It is also giving people quality work, given the real living wage dimension that we have brought in. That is value for money.

We have never actually done this, but if you were to think about the reduction in costs in other parts of the public sector—health, social security and other things—that result from people having good jobs, what would that rack up to? That represents good value for money.

Colin Beattie: Job creation is important, but along with that and equally important is jobs remaining and not being short term. Over what period do you monitor the jobs to ensure that they are still there?

Jane Martin: That depends on the amount of money that we have invested and under what stated regulation. On average, we are looking at between five and seven years. That is the length of the project and then what we condition the grant for. For SMEs, that tends to be three years after the project ends; for large companies, it is five years. In addition, when we assess the economic impact, those are the figures that we use.

There is the sustainability of jobs, but there is also the sustainability of employment. We all know about the way in which the world is working, the disruption in the economy and the use of technology, so we need to ensure that the companies continue to grow and add value to their local and regional economies as opposed to an individual job being there for 10, 12 or 15 years. Jobs shift and change, and we need to take that into account.

Colin Beattie: You referred to tracking larger companies and their job delivery for five to seven years. Do you have figures on that? I do not think that I have seen them. Do you have figures to show that the jobs that were created are still there after five years and seven years?

Jane Martin: I could see whether we have some figures. There is certainly a whole load of analysis and I am happy to see whether we can provide that after the meeting.

We have been challenged before, quite rightly, on a lot of this being about forecast jobs and how we know what the actuals are. What we have done—we will continue to do this annually—is go back and look at the actuals after five years. Over a five-year period, once the project has completed, we look at the actuals. The good news is that we come out at about 117 to 120 per cent of jobs forecast, so we overdeliver with RSA.

I will see whether there is anything that we can do to give you the analysis underneath that, but I do not have anything with me today.

Colin Beattie: It would be interesting to get the comfort that the jobs that are created are long-term jobs.

A great deal is said about quality jobs—I presume that that means higher-value jobs—being introduced into the economy. How do you define a high-quality job? Does it simply depend on the salary?

Jane Martin: A quality job is one that pays the real living wage in a company that adopts fair work practices. It is about the sense of being a valued employee. We also use a definition of value-added jobs, such as our research and development jobs. That is a Scottish Government definition, which means salaries of more than £40,000. A quality job is one in which the employee feels valued, and they are earning enough money to live. You can see that right through our strategic framework.

Colin Beattie: A quality job is simply a job that pays the living wage.

Jane Martin: It is also a job in a company that adopts fair work practices. That is quite new for us, but it is about the sense of working with employees, the whole area around workplace innovation, and effective workplace and workforce practice. Those things are important, too. It is not just about the bottom line; it is about how people feel about working there. We know that that boosts productivity and leads to better results.

Colin Beattie: You talk about companies that have a fair work policy. How do you define that?

Jane Martin: It tends to involve a number of different practices, from good leadership and management practices to engaging the workforce and working with employees on company plans and so on. Some of it is about business models, and a lot of work is being done on inclusive business models that allow employees to be part of profits. We are working across a range of areas—there is not necessarily one definition.

Colin Beattie: But with terms such as "good leadership", we are into a different definition again. What is good leadership? That is very subjective.

Jane Martin: It is very subjective, but one of the challenges for us over the years has been how we stimulate real ambition, and effective leadership and management, across Scotland's business base. We have implemented a number of programmes to do that. We will not go into a business and tell the people there that we think that they need leadership development—that is not our approach. However, when we were working with leadership and management teams, we found that our approach had a massive impact on companies' profitability and ambition, and on their willingness to try new things and go into new markets. In most organisations, a lot of that comes from leadership. Depending on the business, such an approach needs to be holistic and to involve a plethora of techniques. There is not a cookie-cutter answer to this. It depends on the stage that a business is at and what the opportunities are.

Colin Beattie: Previous evaluations of RSA have shown positive impacts for employment but little if any impact on a firm's productivity. You are doing an evaluation study, which hopefully will indicate improvements in productivity. Do the findings so far indicate that? Are you measuring that?

Jane Martin: Productivity is quite difficult to measure, and we tend to use proxies. That is a job-related programme, so we would tend to monitor and evaluate the job impacts. We have other programmes around the Scottish manufacturing advisory service and sustainability—that kind of thing—in which we measure things like process improvements and reduced time, which are proxies for productivity. We would not be looking at that in this evaluation, which is about the job impacts and their consequences.

Colin Beattie: You are not actually measuring productivity in the businesses.

Jane Martin: Not in this evaluation, no. However, this is one tool in our armoury, if you like, and we would use productivity measurement in other areas.

Colin Beattie: But if you are just using salaries and full-time equivalents, that is a fairly crude measurement of success or failure. I would expect a business that has a good business model, and which is taking people on and expanding its business, to focus on productivity, and it is possible to evaluate productivity.

Jane Martin: I think—

The Convener: Sorry—Linda Hanna has indicated that she wants to contribute to the discussion.

Linda Hanna (Scottish Enterprise): Thank you, convener. I did not want to jump in and interrupt.

Colin Beattie: Sorry. We were getting into a debate there.

Linda Hanna: Not at all. It is always difficult to know when to come in.

Jane Martin said that this is one of many tools in our armoury, and it is a really important tool. However, increasingly the work that we are doing with businesses is, as Steve Dunlop mentioned, about where the economy is going, about exporting and, in particular, about R and D opportunities. How those issues play out on the global stage is quite important.

We increasingly blend RSA with other things that we do, including our investments in companies, and the work we do with SMAS and so on. There is no single measure of productivity, but we look at exactly what you said, which is drivers of productivity such as jobs, export levels, return on investments and new products that are coming through from companies. We look at the company's trajectory. Where is its top-line growth? Where is its profitability, and how is that being used in the company in relation to its employees and workplace practices?

We look at all those things in the round and we tend to talk to the company about its growth plans and value, and then we talk about how a suite of things will help them. It is about fair work—absolutely—and the living wage, but it is also about high value. You made a point about sustainability. We ask where that company is in the global marketplace and what else we can do to support it.

Colin Beattie: One of the early signs of problems in a company is when productivity per head starts to drop. Surely that is something that you should measure. A company can increase its exports and turnover, but if output per head is dropping, there is a long-term problem that will hit it.

11:15

Jane Martin: We do measure that, not through evaluation but through our engagement with each company. When we sit down with a company—as Linda Hanna said—we look at its plans. When anyone wants to draw down a grant, we look at their turnover and accounts, and we have conversations with them about those aspects. You are right that there will be signals, but they would not necessarily be picked up through the evaluation work that we do; those assessments would be based on our engagement with individual companies.

Colin Beattie: It just seems to be a very big gap. According to the type of company, there are different ways of carrying out an evaluation of productivity. Some evaluations would be quite crude—it could even be as simple as looking at turnover versus FTE, which seems fairly straightforward—while others would require more sophisticated metrics to come up with a measure of productivity.

Jane Martin: There is work under way. I do not have the information in front of me, but I would be happy to give you more information on that area. We are doing a lot of work that involves using our diagnostic tools to come up with a productivity diagnostic. We work with companies to look at what the indicators are and what productivity looks like, and what the implications are. We are building that up over time so that we can work with companies and say, "Companies in your shoes are showing these kinds of indicators." We can then tell them whether they have moved up or down and discuss what that might mean for them. There is work under way in that regard, which might answer your point about signals and what they mean.

Colin Beattie: From what I have heard from you, there seems to be a slight deficiency in the way that productivity is being used as a tool to assess the health of a company. That is just my opinion.

Willie Coffey: Steve Dunlop mentioned that there has been a significant change of course in the overall strategic direction that you are deploying. Could you give us a little flavour of the reasons underpinning that change? Personally, I would welcome that change in direction. I am from Ayrshire and I represent Kilmarnock and Irvine Valley, so I am quite excited about it. Can you give the committee an outline of what has caused it? I note, however, that one of your former chief executives thinks that it might not be a successful change of direction for you, and that it might in fact be

"creating the conditions for more disappointment in the future".

Will you outline to the committee your reasons for changing direction?

Steve Dunlop: Yes, I will. Just over a year ago, we consulted deeply, internally and externally, across the whole landscape: with our sponsor team, the Government, the chief economist, local authorities and universities. The messages that came through made it clear to me that Scottish Enterprise, in focusing on key sectors and key businesses of a certain scale, had disconnected from the rest of the economic community. People were very clear about that. They wanted us back in those places and wanted us to play a full part, whether through a regional economic partnership or through collaborative work.

We scoured the policy landscape and looked at our contribution to the national performance framework, and we decided that our new approach had to be part of the system. We believed that it had to be rooted in collaboration and partnership across all the pillars that I talked about. That is not to say that we are going to diminish our support for businesses, so I do not agree with the observation that we are creating the conditions for disappointment. That is not what I am sensing every day—people are glad that we are back, and that we are participating and partnering in those areas. I am now completely in the space in which I think that the new three-year framework, with the one-year plan, is absolutely the right direction to take. We have a long way to go, but I am very comfortable that that is the right direction of travel.

Willie Coffey: You mention that there is very much an international focus, an export focus and so on. Half of Scotland's exports currently go to the European Union. How will you protect and maintain that business, given the political situation that we are currently facing?

Steve Dunlop: That is an excellent question. We are—and we have been for around three years—working intensively with our business base on not only how we protect our current markets but, importantly, how we begin to expand into others.

We have the prepareforbrexit.scot portal and the advice and guidance—there is an active toolkit to allow people to be able to prepare for the disruption that may come. We are advising people to prepare for the worst and to hope for something better. We are seeing that businesses are really beginning to take up that assistance and to be very active in that space. To be honest, we would like them to do more, but they are going in the right direction. We have made resources available to enable people to think about and prepare their businesses for Brexit in relation to the supply chain and all the other different aspects. We are doing all that we can to raise awareness about what might come and—importantly—how to take advantage of the opportunities that might come from that disruption.

We will retain business in Europe as best we can, and grow it if possible, but we are looking to stimulate and support new markets beyond Europe. That is where the approach of Scottish Development International, which is collaborating and developing ecosystems in other markets, is really important. We are looking at how we engage the globalscot network to open more doors for companies in Scotland.

All that is with a view to saying that we know that a shock is coming and we need to prepare for it. We need our business base to be resilient, and not just defensively—we want businesses to be adaptive in facing those challenges, and that is what we are trying to ensure.

Willie Coffey: How do you see that approach working more locally—in Ayrshire, for example—with the regional partnerships and growth deals? Is it an intrinsic part of your new approach to work at that level to help to deliver such support?

Steve Dunlop: Yes. It is entirely a partnership approach, so we are working with local authorities and business gateways. The prepare for Brexit campaign, which we are heavily involved in and chair, involves a multi-agency and multifaceted approach. It is a team effort in which everyone is involved. It is not an organisational response, but a whole-system response that includes the Scottish Chambers of Commerce. Jane Martin might want to say more about that.

We are not complacent—we are working hard. Our staff across Government, and across the whole family, will be deployed in that space and, depending on how deep the impact is and for how long it goes on, our organisations will be agile and will respond accordingly.

Dean Lockhart: I want to talk about demand stimulation in the economy. We touched on that earlier, but I have a question about the Scottish national investment bank. It is coming on stream next year, which will presumably result in more funding becoming available. The bank has said that it will not act as the originator of funding but will instead look to the enterprise agencies to stimulate and identify new opportunities. Will you talk us through how you will find those new funding opportunities and the new businesses that do not currently exist? Do you need more resources to find them?

Steve Dunlop: Thank you—that is an excellent question. First, we welcome the creation of the Scottish national investment bank. An important point is that it will add capacity and resource to the economic development system, which will become stronger as a consequence.

We clearly have to manage the transition from where we are just now, with the Scottish Investment Bank transitioning to the new organisation. There is a managerial process, but at the end of it we want a much more highly functioning system to benefit from the change. That will happen only if the demand for the bank is there. We see ourselves as being one of the family that is responsible for creating a large queue of businesses that are ready to be invested in. Demand stimulation is something that we do now and will continue to do. In our new strategic framework, it will have to be a growth area for Scottish Enterprise, and we will therefore be looking for talent to help us with that.

The part that Jane Martin is leading on, in creating the digital platform where all businesses come in, will give us incredibly rich data and relationships that we do not currently have. There is an emphatic shift to going hunting and gathering for talent as well as growth potential. I see all that coming together, with Scottish Enterprise having a strong role in supporting the activity of the Scottish national investment bank.

All of that needs to be seamless. The customer should not know when they are working in one environment rather than another. We need to make the transition seamless, and that is what we are trying extremely hard to do.

Linda Hanna: It is a big question for us. There is a big challenge that has been in the economy for quite a long time around how we see the shape of the business space changing. With more money coming into the system, we have an opportunity to look at the scale of growth that the Scottish national investment bank will focus on and the types of funds that will be available.

The work that we are doing is in two areas. As Steve Dunlop said, there is the transitionary work. Putting that to one side, the big issue for us is how the system can be as effective as possible. That requires a strong bank and a strong set of agencies—including a strong Scottish Enterprise—coming together to look at what we are doing for the economy.

With regard to demand stimulation, the work that we are doing covers a number of aspects. Steve Dunlop mentioned the prospectuses that we are doing at regional level—which will be built up to a national and an international level—and how we can use them to attract investment into Scotland that will help some of the companies that are coming through, particularly some of the pre-revenue and early-stage growth companies that are looking at the future of the economy, partly in tech sectors, but also elsewhere. There is a lot that we need to do around those prospectuses to help us to do that.

We also need to make it clear that, when we are working together in those regions with those partners, it is very much a team effort that involves looking at what assets we have, what the companies are and how we need to get behind them, and where we are beginning to see opportunities coming to Scotland. We have opportunities in cross-sectoral areas that other parts of the world do not have. That is partly because of our resilience, which is a result of having so many sectors. When we look at the opportunities around climate change, some of which involve the combination of agriculture and tech, where new businesses are coming through, we can see the demand that is emerging.

As well as the piece of work on the prospectuses, there is a piece of work on supply chains. That involves looking at how we work with companies that have been here for some time or companies that are coming to Scotland with a view to stimulating a demand for Scottish companies to support that work. We are being much more proactive and demanding in working with such companies to bring through opportunities for Scottish companies, and then supporting them in that.

Finally, I will mention all the work that we are doing around clusters, which is a word that has been used for quite a long time. An example of that is the manufacturing work that we are doing around the national manufacturing institute for Scotland. We are looking at how it is going to support companies to take on new opportunities and technologies. We are also doing work on the advancing manufacturing challenge fund and how it is linking up across industries. That fund is not only about technology and engineering; it is about food and drink, textiles and a whole range of areas.

We think that that work will help us to identify where the economy is going—which Steve Dunlop talked about—which companies in the growth phase we need to help now, and which companies of the future we need to support. We also need to make sure that, hand in glove with the Scottish national investment bank, we bring forward the funding.

Dean Lockhart: Thank you for those answers. With regard to identifying new talent to flush out the new opportunities, when it comes to the bottom line, are you looking for an increased budget to fund additional resource?

Steve Dunlop: If we could have our budget doubled, that would be brilliant, and we would look forward to that.

Every public body and agency wants more resources, but our job is to live within our means and to balance the challenges, the pressures and the opportunities. For me, we are working in three buckets. I want us to begin to think about how we deploy our people, resources and money across those three pillars. The first relates to the here and now and business resilience for the shock that is coming, whether that is Brexit now or something different in the future. We need to think about how we can support the business base and give businesses the best chance of operating and sustaining themselves in a turbulent global market. We are developing capability and insight to enable us to offer products and services that will help them to do that.

The second pillar is about growth and recovery from economic shock or disruption and change. It involves using our insight to focus on the companies that can grow now and grow quickly and on how the system can wrap around those companies effectively.

The third pillar involves not taking our eye off the future opportunities to restructure Scotland's economy, such as those in new technologies. Every day, I go out and see things that are mind-blowing demonstrations of where Scotland is in the global economy. We need to make sure that we balance our resources and our people to ensure that those companies, businesses and firms are supported.

The challenge for us is working across those pillars. If the budget could be doubled, that would be great; if it could be increased by a factor of three, that would be brilliant. In all seriousness, we have to recognise that it is a difficult fiscal and financial time. We will play our part in delivering the best value that we can for every pound that we get.

Jane Martin: I will just make an additional point. We also recognise that we really need to make the system work smarter and harder for all of us. As Steve Dunlop has outlined, we have a big ambition. We would love to get to a world in which companies tell us information—for example, when they apply for something—and, as a result of having that data, we would be able to actively match them with future opportunities. We would do that by using data and insights much more proactively and in real time to build demand into the system, based on all the other work that we do. That would be the ideal situation for us.

11:30

Dean Lockhart: I have a question on risk appetite. If there is pressure to fund a wider range of companies, you might have to take a bit more risk—you will go higher up the risk spectrum. Have you discussed that with the Scottish Government? As a policy matter, are you willing to take more risks?

Steve Dunlop: That is an excellent question. When we launched our strategic framework, "Building Scotland's Future Today", I specifically—on a very public stage—invited the cabinet secretary to reinforce what our risk appetite should be. We are in the risk business and we should be expected to take risks, although not unmitigated or foolish risks. We will not be cavalier but we should be expected to manage risk.

There is no doubt that the global economy is a risky place and we need to participate in it. If you read our strategic framework, you will see that we have recast our values as an organisation, and the first value is to be brave as an agency. If we are brave, we can encourage our business base to be brave, to invest and to face the challenges that exist. That is a really good question; we recognise that we are in the risk business.

Richard Lyle: To go back to regional selective assistance, I would like to ask a question that I asked the witnesses on the previous panel. They did not want to comment because Aberdeenshire is not in their area, but I know that it is in yours.

Aberdeenshire Council believes that there are displacement issues with RSA. RSA was awarded to a company based in its area; that company then moved its headquarters to Glasgow. What do you say to people who say that your funding just moves jobs around the country?

Jane Martin: First, we look at displacement. We consider whether the jobs are being displaced from elsewhere and, if they are, we do not fund them. Secondly, the whole point of RSA is to incentivise investment in parts of the country that would not ordinarily get it. That is part of what the tool is for. Thirdly, in that particular case, I do not want to go into the details—

Richard Lyle: That is why I did not go into detail.

Jane Martin: —but that company could have got the same level of support based in Aberdeenshire because of the nature of the deal. It was not that more support was being offered down in Glasgow than up in the north-east—the company could have got the same amount of support in Aberdeenshire; it was that the company wanted to create an HQ in Glasgow.

Richard Lyle: So the company already wanted to move—it was not the funding that made it move. Is that what you are saying?

Jane Martin: Yes.

Richard Lyle: In your accounts, you have the line, "Plus other income". I asked the previous panel about EU funding. In my area, there are signs that say, "Funded by the EU". How much EU funding will you lose? Your total other income is given as £82.9 million for 2018-19. How much will you lose in EU funding? Will it be a substantial amount?

Douglas Colquhoun (Scottish Enterprise): We hope not, certainly over the short term. Our EU funding comes from European regional development funding through the European structural and investment fund and under horizon 2020. In the event of a no-deal Brexit, the UK Government has given a guarantee that any of the projects that are currently committed to will be funded right through to their finish. That would deal with the current cohort of projects. Also, the Scottish Government has agreed that it will continue to sign off on new ERDF-funded projects after Brexit until closure of the programme in 2020.

Richard Lyle: That is only next year.

Douglas Colquhoun: Yes, I accept that. We are waiting for the imminent start of the consultation on the UK Government's shared prosperity fund. That will be a replacement fund for the European funding that deals with regional inequities at the UK level. The Scottish Government has kicked off some work on that, and we are participating in the consultation process, along with a range of other partners, including the new south of Scotland agency, colleagues in HIE and others. That is the longer-term picture.

There is uncertainty about the shared prosperity fund and the rules and regulations for it, but we are taking the approach that, at a Scottish level, we want to be able to secure at least the same level of funding that we get through the current European funding.

Richard Lyle: At the moment, we are all grasping, or stumbling, in the dark. You have touched on this, but what is Scottish Enterprise doing to prepare businesses for the challenges arising from Brexit? Honestly, nobody has a clue, so how do we prepare for Brexit?

Steve Dunlop: The response is multifaceted and there are specific responses for different places, sectors and industries. As I said, as a family, we have come together, faced up to what we think the worst situations could be and developed toolkits to allow businesses to ask themselves the questions—even questions about the unknowns—so that they are at least prepared in that way. We have put aside money to help folks to ask those questions and begin to provide the answers for themselves. However, you are right that the situation is uncertain. We do not know the extent, depth or duration of the effect. It is therefore incumbent on us in the system to be agile and to respond.

We have capacity and resources that will be dedicated to the issue and, if need be, that will be expanded and then expanded still further. We need to consider what we think will happen and then be prepared for that not happening. Collectively, with Government and other agencies, we need to be absolutely ready to respond. In my experience, when there is a big problem in the economy, such as the situation at Michelin Tyre, the team Scotland approach is phenomenal. This time, the challenge is the quantum and the fact that there are issues all over the place at the same time. That is why there has to be a full-system response and not a single response.

Richard Lyle: I, for one, have total confidence in Scottish Enterprise to do what has to be done, so I am certainly not criticising you.

In your opening remarks, you spoke about the green deal, climate change and the things that we have to do better. I noticed on Twitter yesterday that the Government announced £30 million for green deal energy projects. Will Scottish Enterprise be involved in that funding? If so, and if I know of any companies that have project proposals that require capital funding to start and that could reduce their carbon footprint or production, would you be interested in meeting those people?

Steve Dunlop: Yes, we would be 100 per cent interested. As you know, we have been involved in the transition agenda for a while. We work with wonderful companies. It is incumbent on us to scale that up, and that type of resource will help us to do so. We are absolutely involved in that agenda.

Richard Lyle: Are you going to be involved with the £30 million?

Steve Dunlop: As part of the system, we will be involved.

If you know of any business or company interests that believe that they have a solution and an opportunity, they should come and talk to us.

Richard Lyle: Excellent.

Andy Wightman: You will be aware that we undertook an inquiry a year or so ago on business gateway services. The Cabinet Secretary for Finance, Economy and Fair Work wrote to us in July this year saying that he is

"committed to ensuring that Business Gateway is part of a joined-up enterprise support system"

and to

"services that are tailored to local economic conditions and consistent with national objectives."

We have not heard a great deal from the cabinet secretary as to how he intends to move forward with the recommendations that the committee made on business gateway. What conversations have you had with the Convention of Scottish Local Authorities or the cabinet secretary on how business gateway can be modified in line with the wider changes that are taking place in the enterprise support landscape?

Jane Martin: I chair the business support partnership programme, which involves enterprise and skills agencies considering how to align business support across Scotland more effectively. The business gateway national unit in COSLA is an integral part of that programme. It is represented on the project board and has been engaged in the design of some of the initial things that we are going to do, such as work on a single entry point.

In addition, I have been engaging with the Scottish local authorities economic development group, which is the economic development leadership level across local government, to set out ideas about how we could work differently and in a way that adds value and ensures that the local place dimension is not lost as the system is joined up.

What we do not want is a big homogeneous thing in Scotland. We have to ensure that what we are putting in place can be flexed in line with local and regional needs. We have initiated those conversations at the Scottish local authorities economic development group, and I have also reached out to the Society of Local Authority Chief Executives and Senior Managers to get its input. The ideal for me is for local government to come up with how it would like to see things working, as that would give us an opportunity to come together. That is absolutely achievable.

Those conversations are under way and they are an integral part of the programme. Strategic conversations are going on about what might happen in future. The idea is that we optimise the resources that we all have available to us by doing once the things that we can do once, including systems and that kind of thing, while creating a framework to increase capacity for local delivery by not duplicating all the other things. That is the idea behind it.

We have already talked about creating a data set and intelligence that we can slice and dice locally, regionally and so on to allow us to be really thoughtful about the kind of support that will make a difference to the local economy.

Andy Wightman: Are those conversations taking place in the context of the Scottish national investment bank, the south of Scotland enterprise agency and the strategic board?

Jane Martin: Yes. Councillor Steven Heddle is represented on the strategic board from a business gateway and local authority perspective. The project team that has been involved in establishing the south of Scotland agency has been an integral part of our work around the business support partnership. It has been part of the design and the ideas—it has been with us every step of the way. We are designing with the future in mind.

Andy Wightman: The south of Scotland enterprise agency is yet to come into being, but it has been legislated for. The Scottish National Investment Bank Bill is going through Parliament, and the Government is doing some work to get the bank ready in anticipation that the bill will be enacted. When do you see all those pieces of the jigsaw coming together in a coherent whole that we can begin to interrogate?

Jane Martin: I think that you will see things shifting over the next couple of months. To be clear, this is probably a three-year programme of change. You should see an initial single entry point go live before Christmas as a first iteration. Businesses should be able to go there and see what is available, how they can access it and whether they are eligible. We will create a national inquiry service to go along with that, because there is no way that we could capture all Government-funded business support throughout Scotland in one go.

We are taking an agile approach and doing it bit by bit. We are not doing a massive information technology project or anything like that. We want to learn lessons and ensure that what we are investing in is fit for purpose.

We have a three-year programme plan, which gives you something that you can really get the under the skin of, including the milestones that we want to meet, the outcomes that we want to achieve and what we are going to focus on first. By the end of the financial year, we will probably have an integrated programme plan, and we will ideally have the funding and all the things that go alongside that. We are building that business case right now.

Andy Wightman: Changing the subject a little, I note that the committee has been concerned to try to evaluate and scrutinise the impact of the expenditure of public money in the areas that we are responsible for. Last week, we heard evidence from Richard Marsh on the claim, which is frequently made, that every £1 that Scottish Enterprise invested in 2010 would return £8.80 to the Scottish economy by 2020. Richard Marsh told us:

> "Last year, the committee heard a similar figure—it was up to about £9 for every pound invested."

He went on to say:

> "That is not true—it cannot possibly be true."—[*Official Report, Economy, Energy and Fair Work Committee,* 17 September 2019; c 47.]

Do you have a response to that to help us to make sense of such claims? I am aware that they are made in good faith according to formulas about multiplier effects and all the rest of it, but it does not really help us in our scrutiny role if such claims, which are widely disseminated, are then subject to claims that they are not even true.

Douglas Colquhoun: We use that information in evaluation evidence. It is part of what Jane Martin alluded to earlier. We constantly scrutinise on a rolling programme how we invest in the economy and the types of return that we are trying to get. The evidence suggests that those types of returns are the ones that we are getting.

Andy Wightman: So Richard Marsh is wrong when he says that those claims are not true.

Douglas Colquhoun: We would welcome the opportunity to share how we go about the evaluation. We can have a discussion about the methodology, which is well tried and trialled. I am not an economist, but I am happy to share that information with Richard Marsh and we can go through it with him.

Jane Martin: The other key point is that that is our attempt to rack everything up in terms of the impact that we are creating. Over the years, we have often heard people ask what Scottish Enterprise actually does and what difference it makes. It is a multitude of things coming together. However, as we have already discussed, economic development is really complex. There is not a magic bullet or a single number; there have to be a plethora of things. What does the dashboard look like over the piece? The national performance framework is probably the right route to follow to see whether shifts are happening in the economy.

11:45

The figure that we put out was an attempt to answer the question "What is the sum of your parts and what does that rack up to?" It was calculated for a particular purpose. However, Andy Wightman's point about how such figures can be scrutinised was well made. The stuff that sits underneath the figure should be scrutinised so that we can demonstrate the impact of all our interventions and project work.

As Steve Dunlop rightly said, Scottish Enterprise wants to become a highly enabling organisation that is joining the system up and underpinning things and is the glue that pulls things together. The other key challenge that we face is how to evaluate that. How can we put a figure on brokering relationships, bringing people together, trying to create more impact as a result of bigger projects and so on? That is a challenging thing to do. I have a slight concern that, if we do only what we can measure, we will not necessarily do the right things all the time.

Andy Wightman: That is a helpful response. There is a danger in public organisations trying to communicate what they do through figures. That is not unique to Scottish Enterprise; many organisations do it. Whether the figure is true or not, I think that you are correct to say that it is not a particularly useful way to measure Scottish Enterprise's impact. We could look at the counterfactual: if Scottish Enterprise did not exist, what would the difference be? However, we can never really measure that.

Steve Dunlop: We are challenged by our board all the time on how we measure our impact, and rightly so. We publish a set of data, but a much more comprehensive suite of data sits below that.

We have accused ourselves of doing what we can measure. It is a complex, fast-changing, agile and disruptive environment and we need to be able to respond to that. It is about asking what the economy needs from us, rather than what we want to give to the economy that can be measured. Equally, we recognise that we are accountable to Parliament and to Government for the money that we spend.

We will continue to wrestle with how we measure our impact, but we want to bring it to life; we want it to be more transparent and understandable. As Douglas Colquhoun said, if folks have better ideas or better methodologies and can challenge how we do it, we would welcome that. We would not defend how we do it if we were presented with a better option. We would welcome that and take it away. We can have that conversation with Richard Marsh.

Willie Coffey: Steve Dunlop talked about digital and technology in a couple of his earlier responses to members. We know that the digital single market is worth about €400 billion a year in the European context, and Scotland's pro rata share of that could be about €4 billion a year. We also know that the UK Government's stated intention is to withdraw from that digital single market. Has any work been done to assess Scotland's position in the digital economy in relation to the EU and what might happen if we come out of that single market?

Linda Hanna: You are absolutely right—the digital economy is a huge opportunity for Scotland. We have been working on it for some time with our partners, not least in Edinburgh, because of the data opportunities and the assets that we have in the city. We continue to push on that and we continue to see investment coming into Scotland, particularly in Edinburgh, on the back of our capability.

As you say, we do not know what the digital economy will look like beyond Brexit. Alongside all the other work that we are doing on Brexit, we need to be clear about that. However, we are not currently seeing a slowing down of the interest in being part of our economy. Our capability is world renowned. The big challenge for us is around the markets that are out there. We continue to see companies that are strongly export led in Scotland, the EU and the rest of the world, and there is a big digital component to that.

We are putting a lot of effort into digital adoption. How do we help many more businesses in Scotland to use technology not only as part of what they sell but in how they do business, and how does that help to address some of the productivity questions that we talked about earlier? We need to enable people to take advantage of that digital opportunity.

Our investments in innovation centres such as the centre for sensor and imaging systems, the Fraunhofer centre for applied photonics and the Bayes centre at the University of Edinburgh have brought both global and small companies here. That creates a magnet for other entrepreneurs to come here. We are doing a big piece of work around that, but we are also thinking about how to get under the skin of every business that we work with and help them with technology.

Steve Dunlop: The question raises a serious issue that we should be concerned about, but I draw confidence—this may be anecdotal evidence—from seeing global companies coming to Scotland, and not just to Edinburgh and Glasgow. They are coming here to place their technology, and their cyber capacity in particular, in a global context in the full knowledge of what the market is like and what it might be like in the future. Those global businesses will look at all of that, but they will come to the places where they are most supported, where there is a talent flow and so on. There are some vital signs, therefore, that Scotland is in a great position. We need to build on that while absolutely ensuring that we look at the strategic risks around us.

Linda Hanna: There is a particular opportunity in fintech. The new strategy, which came out of the work that we did collectively in Scotland around the financial services industry, runs across a set of pillars, with a specific focus on the fintech opportunity in Scotland. That applies not only to Edinburgh and Glasgow but to the rest of Scotland, including Dundee. We have been able to establish our capability in that respect in a very short time, and a lot of eyes are now on Scotland, given what we have been able to achieve with a set of partners. That achievement is now working through as companies want to be based here and, as Steve Dunlop said, bring their technology operations to Scotland.

Jamie Halcro Johnston: My question goes back to regional selective assistance. Do you have RSA figures available that would enable us to dig down geographically into council areas, regions and constituencies across Scotland? My particular interest is the Highlands and Islands. My understanding is that the committee and the Scottish Parliament information centre requested those figures for this meeting so that we could look at them, but they were not forthcoming.

Jane Martin: We have that information. It took us a bit of time to do the work because we had to do a manual exercise, but you should get the figures today or tomorrow. I know that we have done that work. I apologise that you did not get the information in advance of today's meeting.

Jamie Halcro Johnston: So that information should be with us today.

Jane Martin: Yes. It is at local authority level.

Jamie Halcro Johnston: It is a bit of a shame that it will come through after you have appeared before the committee.

The Convener: I note that Scottish Enterprise comfortably met or exceeded its performance measurement targets for 2018-19. Some might say that you should be congratulated on meeting your own targets, while others might criticise you and say that the targets were clearly too low. What is the correct way of looking at that?

Douglas Colquhoun: It is a good question. We are constantly examined by the strategic board with regard to how stretching our targets are, and we constantly evaluate how we set the targets in the context of economic uncertainty and the state of the economy.

It does not feel as though we exceeded the targets easily, given what we lived through last year. We were well into the year before the forecasts for two or three of the targets flipped into positive territory, so we were in danger of undershooting on those. We ended up with one missed target, which was for understandable reasons related to growth finance.

It is a challenge for us to set the targets. In the future, we will look at setting them at a more holistic level with regard to the strategic board and the wider economic family. It is something that we wrestle with year on year.

The Convener: What role does the strategic board have in setting the targets? What can be done to give us an objective assessment of whether they are fair and useful targets that can be reached with effort, as opposed to targets that, as some might say, are too easy to reach?

Douglas Colquhoun: We are still working with the strategic board on a strategic performance framework that would apply across the family. We are using measures that we think of as a good proxy for some of the issues that the committee has raised today around productivity and access to finance. The strategic board might want to take a wider view as it builds in other members of the economic family in looking at that area.

Jane Martin: That is definitely work in progress from the perspective of the strategic board. In year 1, we did not even have the same definitions for targets as HIE—we measured things in slightly different ways. We decided that we needed to sort that out, getting the basics done first in order to ensure that we were much more consistent in our definitions. The strategic board looked at the targets across the enterprise and skills agencies and challenged us to think very differently.

Now that the analytics unit is more fully established, it will have a role in looking across the piece and challenging us collectively to ensure that all of this racks up and that we are heading towards meeting the national performance framework outcomes. It might feel as if that has taken a bit of time, but we have moved step by step. The strategic board is definitely having those conversations and challenging all our approaches to ensure that our work is joined up and the overall picture makes sense.

The Convener: Does the step-by-step approach that you mentioned fit with, or have anything to do with, the business values ladder that we heard about from the previous panel?

Jane Martin: Highlands and Islands Enterprise has its business values ladder, which takes a values-based approach with things such as social enterprises and workforce and workplace practices. We do not call our approach by the same name, but the HIE ladder is an interesting piece of work that Scottish Enterprise could potentially mirror so that, again, we would be talking in the same language in taking a values-based approach to business growth and challenges. Kenny Richmond is not here to tell us more, but HIE has been sharing what has been going on so that we can look at what we should be doing just once, and at how we can do things in the same way.

The Convener: Are there other examples, aside from the business values ladder, where you are using different performance or assessment measures?

Jane Martin: I do not think so. We used to have different approaches to exporting and that kind of thing, but that has been resolved. We have been using the same approaches for the past year.

The Convener: All right—thank you very much. I thank the panel for coming in. We now move into private session.

11:56

Meeting continued in private until 12:54.

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