



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Economy, Energy and Fair Work Committee

**Tuesday 15 September 2020**

**Session 5**



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Pàrlamaid na h-Alba

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**ECONOMY, ENERGY AND FAIR WORK COMMITTEE**

**28<sup>th</sup> Meeting 2020, Session 5**

**CONVENER**

\*Gordon Lindhurst (Lothian) (Con)

**DEPUTY CONVENER**

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

**COMMITTEE MEMBERS**

\*Colin Beattie (Midlothian North and Musselburgh) (SNP)

\*Maurice Golden (West Scotland) (Con)

\*Rhoda Grant (Highlands and Islands) (Lab)

Alison Harris (Central Scotland) (Con)

\*Richard Lyle (Uddingston and Bellshill) (SNP)

Gordon MacDonald (Edinburgh Pentlands) (SNP)

\*Andy Wightman (Lothian) (Green)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Erin Bartley (Skills Development Scotland)

Anna Brown (Girlguiding Scotland)

Carla Gee (Girlguiding Scotland)

Kay Hume (Skills Development Scotland)

Tracey Innes (University of Aberdeen)

Hope Laing (Orkney Youth Forum and Scottish Youth Parliament)

Eilidh Mactaggart (Scottish National Investment Bank)

John Mason (Glasgow Shettleston) (SNP) (Committee Substitute)

Garry Maxwell (Edinburgh College)

Maya Tams-Gray (Orkney Youth Forum and Scottish Youth Parliament)

Willie Watt (Scottish National Investment Bank)

**CLERK TO THE COMMITTEE**

Alison Walker

**LOCATION**

The Mary Fairfax Somerville Room (CR2)



## Scottish Parliament

### Economy, Energy and Fair Work Committee

*Tuesday 15 September 2020*

*[The Convener opened the meeting at 09:00]*

### Decision on Taking Business in Private

**The Convener (Gordon Lindhurst):** Good morning, and welcome to the 28th meeting in 2020 of the Economy, Energy and Fair Work Committee. We have apologies from committee members Gordon MacDonald and Alison Harris. John Mason is attending as a substitute for Gordon MacDonald. Welcome back, John.

**John Mason (Glasgow Shettleston) (SNP):** Thank you.

**The Convener:** Agenda item 1 is to ask the committee whether it agrees to take agenda items 4, 5 and 6 in private. Are we agreed?

**Members indicated agreement.**

## Covid-19 (Impact on Businesses, Workers and the Economy)

09:00

**The Convener:** We turn to agenda item 2, which is our inquiry into the impact of Covid-19 on Scotland's businesses, workers and the economy. Our first panel of witnesses is made up of young people. We have Carla Gee and Anna Brown, who are both from Girlguiding Scotland, and Maya Tams-Gray and Hope Laing, who are both from the Orkney Youth Forum and the Scottish Youth Parliament. Hope Laing's modern studies class at Kirkwall grammar school is watching this morning, so welcome to you all.

Please allow broadcasting staff a few seconds to turn your microphone on before you start speaking. We start with questions from committee member Richard Lyle, who joins us remotely.

**Richard Lyle (Uddingston and Bellshill) (SNP):** Thank you, convener. What impact has Covid-19 had on your education and employment? What are your individual experiences?

**The Convener:** Who would like to start? You might not wish to respond to all questions, but you might have experience of a particular area that you could share with the committee.

**Carla Gee (Girlguiding Scotland):** As a school leaver, I found that everything happened quite abruptly at the end of March. My plan was always to defer university, but when it all happened in March, everything was totally unknown. I did not know whether I would be going to university at all, whether I was still going to defer or whether I would go this year.

Things have changed over the summer. I was furloughed from my part-time job, so everything was up in the air with that. I have recently gone back to work and have decided to keep my deferral, so I have my place at university for next year. I recently found another part-time job, so I will be doing two part-time jobs for the foreseeable future. Then, we will have a look at what is happening and decide whether I will go to university next year.

**Richard Lyle:** I hope that everything goes well for you. Maya or Hope, would you like to come in?

**Hope Laing (Orkney Youth Forum and Scottish Youth Parliament):** I was unable to find employment over the summer. I would have worked in the tourism sector as a seasonal worker, but the lack of tourists meant that there was no need for the extra staff. That meant that I had no income over the summer. Much of that

would have been put towards my savings for going to university next year.

My experience is not uncommon; most of my peers were furloughed. One of my peers was not furloughed because she did not work full-time hours, but when her place of work reopened, she was expected to work full time and was put on the rota to do that.

There is a common misconception that young people work to earn money just for leisure purposes. Often, people do not take into account that young people also have bills to pay and parents to support, especially those whose parents either lost their jobs because of the pandemic or are unable to work due to being ill.

Yes, we also use the money for leisure, but we also gain skills through employment. Many employers and education institutions look for work experience on applications from young people. Being unable to work has left many young people at a disadvantage, because their CV is missing that valuable attribute. Young people are disadvantaged in ways that go beyond not earning an income.

**Maya Tams-Gray (Orkney Youth Forum and Scottish Youth Parliament):** I have just left secondary school after sixth year and am now at university. I had expected to work over the summer to prepare to come to university; I had two summer jobs lined up to start when my exams finished. However, when the pandemic happened in March, I was not furloughed because I had not already started those jobs, so I have not had any income over the summer at all, and now I am at university having to rely on my student loans.

I have applied for jobs, but I live in Orkney and there is a limited number of jobs on the island. It is also quite competitive at the moment, which has never been the case before; there have always been more jobs than people, but that is not the case now. I was not able to get any of the jobs that I applied for, because I was always competing with adults who had a lot more experience. That has been the experience of lots of young people in Orkney, which we have heard about through the youth forum. I have also heard that a lot as a member of the Scottish Youth Parliament.

The pandemic has really had an impact on employment in Orkney. Lots of businesses are having to close, so there are even fewer options, now. The pandemic has had a big impact on my employment and experiences this year.

**Richard Lyle:** I wish you both well. Thank you, convener. I have finished my questions.

**The Convener:** Thank you, Richard. Anna Brown wants to come in before we move on to our next committee member.

**Anna Brown (Girlguiding Scotland):** I had a slightly different experience. Before Christmas, I started a part-time job on a three-year contract, so I was lucky to be able to keep that up. I work for a charity that works with children with autism, so I saw the impact on them as well as the impact on us. Because groups were unable to run as normal, we had to adapt and we started to do our activities online. We also could not do our usual summer activities. In summer, we do not do our usual term-time stuff; we do different activities, such as fun days and family days out, so that meant that I did not have an income over the summer.

That was okay for me; I was staying at home for university, so it was not too bad. However, one of my friends lost her job and could not get another one, because of the pandemic. She had to reject her university place because she could not afford to move to university. A lot of people have had it really bad. One of my friends is now at college for a year, when she could have been at university, but could not afford it because of the job situation.

The whole exam thing really affected a lot of people. My teacher gave me a lower grade for my predicted grade. Many teachers do that because they think that it motivates us to work harder. When I asked her about the grades changing, she said that she had given me that grade but knew that I would have done better, if I had sat the exam. They were meant to be my exam results, but I got a lower grade that could not be changed because it was what the teacher had predicted. There are lots of wee things that people do not really think about. It is not so much about it affecting my future, necessarily; it is more that I did not have the chance to sit the exam and get the grade that I should have got.

**The Convener:** Thank you. We will now move to questions from the deputy convener, Willie Coffey, who is also joining us remotely.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** Good morning, convener, and good morning to Carla, Anna, Maya and Hope, as well as to Kirkwall grammar school pupils, if they are watching.

Last night, we were talking to some young people. One of the guys was from Orkney—I think his name was Andy. I asked them what kind of assistance they think will most help them to find work. They talked about paid apprenticeships, internships, work experience while learning and things like that. What are your ideas? What can we do to help you most when you are trying to get that important first job? What can we put in place to help to make that transition a wee bit easier for you? It would be lovely to hear something from each of our four witnesses.

**Anna Brown:** I knew that I wanted to go to university; I want to study politics and languages, so I have to go to university for those subjects. Therefore, I would not need an apprenticeship type of thing. However, one issue is the hours. With part-time jobs, employers expect you to be at school and then, when you are not at school, to be able to work any hours. That is part of the struggle in getting a job, just now. Many employers do not offer hours just on Saturdays, so it is hard to find a job that you can balance with your studies, which obviously affects your income. It would be good to have more jobs that are for a few hours a week. Apprenticeships are great, but we need jobs that we can do when we are at school.

**Hope Laing:** One of the main challenges of the pandemic affects people who are looking for work in certain sectors. Several of my friends are trying to gain work experience in schools and hospitals. Several of my peers are completing foundation apprenticeships in things such as social services, childcare and healthcare. A key part of those courses is their placements, which allow people to continue their learning in a practical environment, and to gain confidence. Placements also allow people to make links with possible future employers. The pandemic restrictions have meant that young people completing their foundation apprenticeships have been left unsure about whether they will be able to complete their work experience.

We all recognise that the restrictions have been put in place to protect people and prevent spread of the coronavirus, but we also need to think about the less obvious knock-on effects on young people. The fact that an effect is less obvious does not make it less important.

**Maya Tams-Gray:** I would echo a lot of what Hope said. Orkney has lots of modern apprenticeships that young people take on in their senior years in secondary school. That obviously works well and takes young people straight into jobs. That is how it works a lot of the time. I know many young people who have done modern apprenticeships in administrative work at the council offices in Kirkwall who have been able to get a job there afterwards. That is also more practical than some of the higher courses that are on offer.

I was able to do work experience in a law firm through the reach programme, which is hosted by the University of Aberdeen. That was really good experience for me, and it makes it more likely that I could get a job with a law firm doing something similar in the future. Supported work experience for young people is really important, even if it is just a week or so shadowing someone.

Some of the support needs to be for businesses so that they want to take on young people. There

is sometimes stigma around young people, with the idea that they are lazy and do not want to work, which can make it harder for people to take us on. Finding work can also be difficult because of the amount of experience that we have, but we obviously cannot get work experience if people will not give it to us. Therefore, businesses need some support to take us on.

**Carla Gee:** I totally agree. I am in a slightly easier position, having had that first job already, so I have experience from that. In my year group, which has just finished sixth year, I know many people who have struggled to find jobs for almost the past two years. Since they turned 16, they have applied for job after job, and have either heard nothing back from, or been rejected by, every single one. I find that sad, because many of them have volunteered so many hours behind the scenes, and not just for the end result of a part-time job. Surely that sort of experience should help.

From experience I know that as soon as you say that you are under 18 it is a no-go, and employers do not want you at all. Often, there is a check-box to indicate whether you are under 18. I understand that that can be necessary for legal reasons, but there are jobs that people just do not want young people for, which I find sad. That means that young people who are moving out and into university halls this week cannot find jobs, because they have never had a job, yet they have so much experience and so much to offer. However, nobody will even allow them the chance to show that.

09:15

**Willie Coffey:** Carla Gee, what can Governments do to help employers to overcome that problem? Perhaps Government could help to fund internships or something—anything to give young people the chance to get in the door and get experience. Would something like that help?

**Carla Gee:** Yes, I would love to see more internships, work experience and things like that. I know a couple of people who did internships with the Royal Bank of Scotland a couple of summers ago, which seemed to be a great way to get a foot in the door. Such things are also great for Universities and Colleges Admissions Service applications. That experience gave them so much to talk about on their CVs. You can mention volunteering; although the skills might be applicable and be easily transferable, people still want you to have had experience in a paid job. An internship is the next big step up from volunteering to show that you have experience. If qualifications could be tied to internships, that would be a good way forward.

**Willie Coffey:** That is really helpful, everybody. Thanks for that. Gordon—back to you.

**The Convener:** Thank you. We now have questions from Colin Beattie.

**Colin Beattie (Midlothian North and Musselburgh) (SNP):** Thank you, convener. I will ask about the impact of Covid-19 over the past few months. As it has developed since March, a huge amount of information has been put out there. What sources of information have you found helpful? There is a lot of misinformation on social media. Which organisations have you gone to for reliable and accurate information?

**Hope Laing:** The Children and Young People's Commissioner Scotland and Young Scot have been great at providing accessible and clear information for young people. When people or organisations are trying to communicate information to children and young people, they can be quite patronising by oversimplifying information or using cartoons. There are age groups that benefit from such things, but the commissioner and Young Scot have recognised that resources for 8 to 12-year-olds should be different to those for 16 to 18-year-olds.

Another example that I want to mention is the Orkney Young Carers group. I am a young carer and a member of the group. Throughout lockdown, I received numerous messages of support from Lynn Bartlett, who is the support worker. We have also been sent activity packs to do during lockdown. The Orkney Young Carers group does a great job in supporting young carers in Orkney by providing respite days and activity days, and enabling us to network with people who are in similar situations.

That is an example that many people can learn from. In our communities, youth workers and teachers know young people best, so any support for young people should be filtered through places such as schools and youth groups at local level. That would mean that young people would get the tailored support that they need, and potentially vulnerable young people would be identified by those who already know and work with them.

**Maya Tams-Gray:** I agree with Hope, particularly about Young Scot. I have seen the graphics that it has put out on social media, which are really accessible for young people, and they work well. I agree, too, that support should be done locally, but there can be differences between schools with regard to the information that they feel able to provide to young people, and differences in the amounts of information that schools feel they have. Some schools have been really supportive and have sent out a lot of information, but others have not.

Therefore, organisations such as Young Scot and the children's commissioner being able to do that for everyone by taking a blanket approach across Scotland works well. As Hope said, those organisations are not patronising in the way that they put out information, and it does not feel as though they are talking down to us or that we do not know what is happening. The way that they do it works well.

**Anna Brown:** Like Maya, I left school in March. I was in my last year, and I have pretty much not heard from my school since. My school is great, but it was not good at contacting us during lockdown. I agree that Young Scot has been good, especially on social media. It posts a lot of information that is easy to see at a glance. You do not have to read through a big document; the information is right there, which is really helpful.

Girlguiding Scotland has been good, and my local guiding group has really helped me, so I have had information through it. Most of the time, I look first at the Scottish Government Twitter feed, because I find that a bit easier than the website. I tend to use that most, but Young Scot has also been good for younger people.

**Colin Beattie:** It is encouraging to hear that. To expand on that, what services have you found helpful? You have touched on one or two already.

**Maya Tams-Gray:** I mentioned Young Scot before; it is a service that I have been in contact with. I also accessed my school's careers advice service. The way that it worked was good. Obviously, I had left school, so I did not know how my careers advice would work after that, but I had a phone check-in a couple of months after schools closed, which was really useful.

A lot of young people know that they might need help, but they do not want to reach out for it and feel that other people need the services more than they do. That was the position that I was in, so to have someone reach out to me so that I did not feel that I had to do it was very useful. That worked well and could help other young people.

**Colin Beattie:** Did anyone else use services that they found particularly helpful?

**Carla Gee:** I agree with Anna. I used the Scottish Government Twitter feed for the daily run-down on positive and negative tests and so on. I found that helpful. It kept all the information together and, at the end of the day, it was all there.

The careers service in my school was also helpful. The school let go all the sixth-year students and that was it, but the careers advice carried on, which has been very helpful in getting people through this time and helping people who were still looking for jobs during the pandemic.



However, the Scottish Government Twitter feed was a great service.

**Colin Beattie:** That seems to be a consistent theme.

**Anna Brown:** I left school in March, and my school was not good at keeping in contact. I am in freshers week at university, and, so far, the university has been okay. Some subjects are better at communicating than others. I have not really heard from my social sciences subjects, but lecturers for my arts subject have been trying to do Zoom calls so that people can get to know each other. That has been good. It is a lot to adapt to, obviously; that is not the usual way that you would meet people during freshers week. That side of it has been difficult, but some of the services at university have been useful. The unions have adapted to do events that are in-person and online at the same time, for people who are isolating.

**Colin Beattie:** That has been very useful. Thank you, convener.

**The Convener:** Thank you. We now have questions from committee member Maurice Golden.

**Maurice Golden (West Scotland) (Con):** You have highlighted lots of the communications and some of the services that you have received. Is there anything that you know about from personal experience or from your wider group or community that you have identified as a gap in support or help or resources? Anna Brown mentioned that her school had not been in touch. Is there anything else that would have helped you to deal with the Covid situation?

**Maya Tams-Gray:** Earlier, I mentioned that a lot of young people who would normally have seasonal work in the summer and who had those jobs lined up could not be furloughed because they had not already started the job. Something is needed to help with that; I would identify that as a gap. That work was not there, and there is not much that can be done about that. However, the education maintenance allowance was extended for school leavers. It would have finished when my exams ended in May, but it was extended until the schools would have closed in July. That obviously did not end my financial stresses, but it was a relief to have it. Those kinds of things work well, and that was useful.

**Hope Laing:** From talking to my peers in the Orkney Youth Forum, I know that they can find information about coronavirus. The problem is not knowing where to get accurate, reliable information. There has been a big spike on social media in fake news about coronavirus, which has increased anxiety levels among young people and leaves them not knowing where they can access reliable information and who is a reliable source.

There is a gap in support for young people in accessing trustworthy information. The majority of our generation is extremely able with technology, but that might not be the problem. Not all young people have access to digital technology. Some people are sharing one device with siblings and parents. As you know, living in Orkney, we do not always have access to good wi-fi connections that would allow us to get reliable information.

**Anna Brown:** I completely agree about the financial side of things. I did not have my usual shifts at work during the summer. Because of exams, young people try to work during the summer. However, obviously, we could not do that this year, and there was no financial support during the summer, which has had a knock-on effect on the amount of money that people have been able to save for university.

The other issue is that we abruptly left education in March. I have yet to start back, because I am starting university. Now, we are going right back into study as normal, especially people who have gone back to school. After six months without education and having stopped abruptly, it is hard to just go straight back in as normal, when life has changed a lot. It was difficult to do work during lockdown at times, because life was so different.

**Carla Gee:** I totally agree with everything that everyone has said. I fell into a gap as well. It was hard for those who had left school but not yet started university or whatever it was that they were going on to do after school and for those who had left university. There was not much information from the school, apart from the careers advice. That was okay, but the information was not always Covid related. I know for a fact that the school was quite good at communicating with students but, as we were no longer students, that did not apply to us. Over the summer, I was receiving emails from my university, which were the same emails that everyone got—it did not matter that I was deferring. The information was not great at all on advice about what was going on. I was so glad that I was not going to university this September, because what was going to happen was so unclear. The advice that was sent out by universities over the summer caused a lot of stress for many people I know.

09:30

**Maurice Golden:** What was unclear? Was it unclear how you would be taught or how you would move around the campus? What was lacking in the communication?

**Carla Gee:** Over the summer, a lot of information was lacking about everything, including exam results, which dictated whether people were going to university. That caused a lot

of stress. Even just last week, people did not know whether they were moving into halls of residence, whether they were staying at home or whether they were allowed to move out. That has continued right up to today. I know people who moved into halls yesterday and people who are meant to move tomorrow but are now not sure whether they can. Everybody has been left clueless, which is a shame, because it is obviously a stressful time for people anyway. People have had to accept that that is the way it is and that everybody is feeling the same thing.

The major stress for people was about starting university and moving out of home or into halls and how everything would work this week and next week and how freshers week would work. All the things that people are supposed to look forward to were taken away and made really stressful.

**Rhoda Grant (Highlands and Islands) (Lab):** How aware have you all been of Government support, and what has been most useful to you? Are there gaps that it would have been helpful to fill?

**Hope Laing:** In thinking about how aware young people are of Government support, I decided to ask my peers. Being a politically aware young person, I mainly keep up to date with the work of the Government, but I am aware that it is not everyone's cup of tea to watch committee meetings and First Minister's questions every week. When I asked how aware people were of the Government's response to the pandemic, many were unable to give me much of a response. People mentioned measures such as introducing face coverings in schools and the 2m rule. Nothing was said about the support for young people in employment settings, which I believe is as important as the Government schemes. There is no point making support for young people available if they do not have access to it and do not know about it. There is a gap in people's knowledge of the support available. The support might be available through different schemes, but we need to bridge the gap between having the schemes and young people's access to them.

**Anna Brown:** I agree with Hope that we may have all these schemes but people do not know what is going on. I am quite politically aware, so I checked the Government's Twitter feed and I watch the briefings as much as I can. My older sister is probably a good example in that she was never politically involved and did not know what was going on. I was her source of information most of the time but, at the start, she watched the briefings. However, because it has gone on for so long, people gave up watching the briefings and now just look at the news. Therefore, a lot of people do not know what is going on.

There is a gap in support for people who have left school and are going to university and for people who are leaving university and going into work. We left school, so school basically said, "Right, that's you. We don't need to give you information any more." Because we were not at university yet, university was not giving us any information. For a good while, it felt as though there was nothing there. We were in a gap because we did not belong in either school or university. I know people who have started masters degrees because they could not get jobs after a four-year university course.

The Government support has been quite helpful for me. I have used the Twitter feed and I liked the Young Scot question-and-answer sessions that the First Minister did. Many people who are not politically aware do not know that these things are happening.

**Rhoda Grant:** We will be speaking to people from careers services later. Have those been helpful? What are your thoughts on the youth guarantee scheme that the Government is drawing up? What form should that take to be helpful to young people?

**Maya Tams-Gray:** I do not think that I really understand what that scheme is, which might be part of the problem. Like the other witnesses, I am quite politically aware, and I have the information that I get as part of being an MSYP. Most young people do not tend to follow the Government on Twitter. I do, so I see that sort of information, but I still find that I do not know everything that is going on and I do not understand what is happening. Even when the information is put out, it is not always done in the most successful way. Often, there are a lot of long documents that do not make a lot of sense to a normal young person. I cannot respond on the scheme that you are talking about, because I have not seen it. Part of the issue is that it is difficult to access that information and to understand it properly.

**Rhoda Grant:** Running through everyone's answers was the idea that there is information out there but that it is not necessarily very accessible to young people. You are all politically aware and follow events and do research. How could we get information across that your peers would find accessible and understandable?

**Carla Gee:** I am going to be completely honest and say that I am probably not as politically aware as anybody else here. Therefore, I fall into the gap in that I know that there is information out there, but I do not know how to get it. I saw hardly anything pushed across my social media that was a reliable source, apart from the Young Scot question-and-answer sessions. I would like to see all the resources that young people can access being pushed across my social media or to hear

that information on the radio. I found guiding, and Girlguiding Scotland specifically, helpful. They were constantly giving us resources. If I were not a part of that, I do not know where I would get my information from.

**Hope Laing:** Information should be communicated through local youth services. The community learning development team in Orkney has done a great job of supporting people through the pandemic. It is important to utilise local youth services and to provide information through them. Young people are already comfortable with people such as their youth workers. We should utilise the services that we have and give them the ability to help young people even more than they already do.

**Rhoda Grant:** Did you have access to your youth workers during the pandemic? Were they still in touch with you?

**Hope Laing:** Yes. As MSYPs, we have a support worker, and she was in contact a lot. She was one of my main points of contact throughout lockdown, and I knew that I could go to her with any questions and for many things. My local youth services were my main point of contact.

**Andy Wightman (Lothian) (Green):** In April, the Scottish Youth Parliament, in association with YouthLink Scotland and Young Scot, produced a report called “Lockdown Lowdown—what young people in Scotland are thinking about COVID-19”. That was quite early in the pandemic. It is a very useful report, and it is particularly useful to see that information broken down by local authority area. Hope and Maya, can you tell us about the main themes in the report and how you have managed to keep those lines of communication and experience going? In other words, what is the latest on the feedback that you have been getting?

**Hope Laing:** The report that was undertaken by the Scottish Youth Parliament, YouthLink Scotland and Young Scot in April revealed some worrying findings about how young people in Scotland were feeling due to the pandemic. Of those young people who answered the question about their employment situation, more than a third, 36 per cent, said that they were moderately or extremely concerned. A third of those who answered the question about their financial situation said that they were also moderately or extremely concerned. Given that the scale ranged from not at all concerned to extremely concerned, we must recognise that that is a very important issue for young people and that more must be done to alleviate their worries and fears.

In July, the Scottish Youth Parliament had a virtual sitting and passed motions on Covid-19. One of those motions was on education and employment and stated:

“The Scottish Youth Parliament believes that adequate support must be provided to young people making the transition from school to university, college, employment and other positive destinations to mitigate against the impact of the COVID-19 pandemic.”

The passing of such motions shows that that is a real concern for young people. The Scottish Youth Parliament has taken action on it, and we are passing it on to the committee and to the Government so that it can be taken into account to ensure that whatever support is now put in place for young people has their best interests in mind.

**Maya Tams-Gray:** As Hope said, the main themes of the report were concerns about employment and finances, but also about education. On education, people were concerned about what happened with their exam results, how that would affect what they went on to do in future and about what options are available to them. Obviously, there are now limits to the available options, and there is a lot of concern about how that might have an even greater impact.

Fifty-eight per cent of the young people who responded said that they were concerned about how they could access their rights as a young person, which is interesting. It is important that young people are involved in meaningful decision making and that we are listened to, exactly as is happening now in the committee. I am grateful to have the opportunity, and I am sure that the other three girls are as well. It is important that young people have opportunities like that to have a say on the issues that are going to have an impact on us. It is also important to take a rights-based approach. With the Scottish Qualifications Authority situation, we saw that the approach was not really rights based. Obviously, that did not work very well, and so changes were made and there was the U-turn that helped to fix that a bit. It is important that that sort of thing does not happen again with matters that affect employment and education. Young people need to be involved in those decisions.

**Andy Wightman:** As I said, April was relatively early in the pandemic, and I think that a lot of people thought that it might be over more quickly, perhaps by the summer. It now looks as though we will have to live with the virus for some time and adapt our behaviour. The whole of society is going to have to adapt for some time. What efforts are the Youth Parliament and Girlguiding Scotland making to continue to capture the views and opinions of young people so that we can ensure that young folk have the best opportunities available?

**Hope Laing:** Today is an example of that, certainly for the Scottish Youth Parliament. MSYPs are constantly advocating for their constituents. For today's committee meeting, for

example, we consulted the Orkney Youth Forum and people in our constituency in order to be able to pass on information. We are doing that at a local level, and we are passing motions in the Youth Parliament. We have an upcoming sitting, and we hope to pass more motions so that we can push for change for the better.

**Anna Brown:** Girlguiding Scotland is about to release its girls' attitudes 2020 survey. We do one every year, but this one will be Covid focused, which will allow us to see how girls are feeling, what they want to see, what we can do to help in the next year and to see the difference between the years. We did a Covid-19 survey a few months ago, and we have started to do online meetings and we have released adventures at home packs and new badges that can be done individually at home, to keep people engaged and to ensure that people still have things to do when we cannot meet. I have found that helpful as well.

09:45

**Maya Tams-Gray:** To follow on from what Hope said about the Scottish Youth Parliament, at our last sitting, all the motions that we passed were tabled by our committees and were focused on Covid with regard to issues that are relevant to those committees' remits. Now, there is action being taken as a result of those motions being passed. For our work as the Scottish Youth Parliament, because we have passed the motions, we have that mandate from young people that says that these are things that they agree with and care about. Therefore, there are quite a lot of motions that the committees can work on individually. We are still doing a lot of online work as well. We have a manifesto every five years, which is the result of a survey. We are currently consulting on that. We are still carrying out a lot of consultation to ensure that we are representing young people as well as possible and that we keep working on the issues that have had an even greater impact than normal on young people throughout the lockdown.

**The Convener:** Thank you. I do not think that committee members have any further questions. I do not know whether any of our witnesses wants to make any final comments. You do not have to, of course. If there is something that you would have liked to cover or if you think of something later on—that sometimes happens when you are doing this and you are put on the spot—you can send that in writing to the committee and we will look at it. I see that there are no more comments. Thank you for joining us this morning. I wish you all the best for your futures. Bye for now.

09:47

*Meeting suspended.*

09:50

*On resuming—*

**The Convener:** Welcome back. We continue agenda item 2, which is our inquiry into the impact of Covid-19 on Scotland's businesses, workers and the economy. I welcome our witnesses, who are Tracey Innes, the head of careers and employability at the University of Aberdeen and also the convener for the Association of Graduate Careers Advisory Services Scotland; Garry Maxwell, the curriculum manager for construction at Edinburgh College; Erin Bartley, a careers adviser in West Dunbartonshire for Skills Development Scotland; and Kay Hume, a careers adviser in Orkney for Skills Development Scotland. I welcome you all.

We will start with questions from Richard Lyle, who joins us remotely.

**Richard Lyle:** Thank you, convener. I hope that most of you were able to listen in to the first panel of witnesses and to hear about the issues that young people face. What are the main issues facing the young people you are working with?

**Tracey Innes (University of Aberdeen):** I have been listening, and I echo the concerns that were raised by all the witnesses on the previous panel. That is definitely what we are seeing in the higher education careers market. There are challenges for both current students, because of the lack of part-time and summer jobs that are important for them in supporting their studies, and the graduate market. There has been a huge reduction in the number of vacancies and there has been disruption to the availability of opportunities for graduates, which is leading to lots of uncertainty. It is a difficult time to be supporting students and graduates.

Things are difficult now, but the other point to make is about how long the uncertainty and the challenge will last, which is a particular concern with regard to the knock-on effects in years to come. Graduates have lost employment, new graduates' entry to the job market is being delayed, and there is a knock-on effect on the students who will come through higher education in later years.

**Richard Lyle:** Garry Maxwell, we have just heard about the problems with universities and colleges. Do you want to give us any information about the problems that young people face from your perspective?

**Garry Maxwell (Edinburgh College):** Capacity and opportunity are two real challenges just now. It is difficult for the further education sector to offer the capacity to students who possibly do not have the same opportunities as those from financially better off and more stable backgrounds. The FE

experience is difficult for young people from care-related backgrounds. They have left school; where do they go? Finding capacity to help them is challenging for the FE sector.

To provide a positive destination and an outlay just now is also very challenging. We can say that there are opportunities in apprenticeships and modern apprenticeship programmes, graduate apprenticeships and foundation apprenticeships, but that may give people false hope, which is not something that we want to do. We give people the facts about how it is just now with Covid and what we are trying to achieve in the FE sector.

**Richard Lyle:** I am sure that Erin Bartley and Kay Hume want to comment, convener.

**Erin Bartley (Skills Development Scotland):** I echo what Tracey said about the duration of the uncertainty. We are having to manage expectations around that. Young people cannot access work experience right now, which is really worrying my pupils in schools. We are at the point in the year where they are planning to get some experience, but they cannot access that right now. As Tracey said, there is a big worry about how universities and colleges will view this year's exam results. Will things change dramatically over the next couple of years? That has been worrying many of my school pupils.

**Kay Hume (Skills Development Scotland):** As everyone has said—the young people were saying it to us, Tracey said it and Garry said it—work experience is a real issue. It is an issue across the board, for people on college courses and for people trying to apply for college or university. Work experience is hugely important, as is voluntary experience, and employers are anxious about taking people on. We are slightly concerned, as are young people, about what they are going to put on their application forms in future, if they do not have the relevant work experience. Colleges and universities want qualifications, but they also want to know that people have gone out there and done a job or done something to gain experience in the real world. There is a cohort of young people, spanning two academic years—last year's and this year's pupils—who cannot gain work experience. What can we do about that? Is there a way to create a virtual learning environment for work experience?

That is an anxiety, but I have found that there is a perception that there are no options, which also causes anxiety. Parents have it in their minds that young people must stay at school because there is nothing else to do. Often, school is not the right place for young people because they have gone as far as they can there. It would be fantastic to see them move on into further or higher education, but they have not been able to gain what they needed at school to get into those places. The

issues for young people span right from school into further and higher education.

**Richard Lyle:** Thank you, convener. I know that Garry wants to come back in, but other members may wish to explore the comments that have been made.

**Garry Maxwell:** I will give you a bit of background on the school-college partnership scheme at Edinburgh College. The engineering and the built environment department had 472 applicants from S4 and above, looking for experience of coming to college in their designated work experience slots. That number has decreased to 232 over the past two weeks, due only to the schools' capacity. Listening to the other witnesses, it is apparent that the challenges are out there.

Usually, a large number of kids come through my department looking for further education and employability skills. Now, we are facing unprecedented challenges. If kids have no IT facilities, we cannot get them online and we cannot get them into college. The Scottish Funding Council is looking at decreasing some funding, and the foundation courses programme is not a priority. We now need to look at how best we fit that cohort into the FE sector, before even looking at graduate apprenticeships or anything like that. It is challenging for schools and colleges. We have many conversations with schools in the region, and neither we nor the schools have capacity, before we even have the conversation about how to move things forward.

**The Convener:** Thank you. If a witness wants to come in on a question, it is helpful if you raise your hand so that I or the committee member asking the questions can see that, or you can type "r" in the chat box. Do not feel that you must answer every question. If, after the meeting, you feel that you did not completely cover a matter, you can write to the committee. We now come to questions from Colin Beattie.

10:00

**Colin Beattie:** I will start with a very straightforward question: how has the delivery of your services changed during the pandemic?

**Kay Hume:** Careers advisers offer a face-to-face service. Skills Development Scotland also has a digital offer through My World of Work, and we have a contact centre. We have careers advisers in every state secondary school in Scotland, where we are delivering group work and face-to-face appointments. It has been a huge change for the advisers. We came out of schools in March, and we were still trying to offer the best service that we could, but digitally. Skills Development Scotland and the advisers went

ahead and grabbed every opportunity to get in touch with young people and to reach out to as many young folk as we could.

There is an assumption that all young people are great with digital services and at doing things online and that they are happy on the phone or doing things on computers. That is not always the case. Sometimes, a phone service is not applicable or does not suit the young person. To develop a full relationship with a young person who might have communication difficulties, a face-to-face appointment is the best option, and we have tried everything that we can to reach out to as many young folk as we can through the various channels. It has been a big learning curve for the careers advisers to push forward more into the digital world. I hope that we have got there quite successfully.

**Colin Beattie:** Perhaps it was an area that was a bit difficult, where people did not have the anticipated skills and technology. Did you come up against any other issues in delivering your services over that time? For example, was your technology up to it?

I am sorry, Kay—I was still talking to you.

**Kay Hume:** I am sorry. I am fortunate that, on the whole, my technology and broadband have been fairly good. I work with students in rural areas. For example, I have one pupil in an S4 class on one of the islands. They do not always have the best access to technology. We do not have a very good 4G signal, so if the wi-fi is down—I understand that that can happen in many areas—sometimes we ended up having a good old-fashioned telephone call. Many young folk have mobile phones and are quite happy with that. Obviously, you do not get the interpersonal feel of the appointment in that case, but, as skilled advisers, we are confident enough to build that relationship with the young folk through whichever means we are using. Advisers definitely had anxieties about delivering in a different way to the usual face-to-face approach, but most folk went ahead with appointments.

The schools have gone back, and there are advisers in our schools, but I am still working from home. With the schools' agreement, I have a cohort of young people who are confident in digital delivery and on the phone and are happy to use that as a method of working. However, it took extra work from the schools to identify those young people and extra work from me. I am not going out to my island schools, because I would have to travel on a ferry for a mile and a half, or on a plane. We are not using public transport at the minute, so it is all delivered digitally. So far—touch wood—everything has been okay.

**Garry Maxwell:** Our delivery looks radically different. We have reduced days. The construction department at Edinburgh College returned on 17 August. We have a massive number of deferred results and assessments from the 2019-20 session that we have to clear to allow industry employers to be able to claim funding through SDS and other managing agent services. Our doing that pushes our full-time cohort—school kids, young people, people returning to learning—out to online learning, which is a massive challenge. We had 27,930 applicants this year, all looking for online learning at some point, which is a massive undertaking for the college. When we are in the college, it is very challenging. We are a large college and we have space, but, as has been documented, it is difficult to manage the situation. The challenge is how we continue to do that over a prolonged period—it is future proofing not only FE but the college.

**The Convener:** Thanks. I think that Tracey Innes and Erin Bartley want to come in. Our other two witnesses have commented, so I would like to bring them in now.

**Tracey Innes:** Similar to what has been described, higher education careers services have moved online across Scotland. We were very agile, because we were in a strong position to do that. That has also brought some opportunities. We have been able to connect with employer partners more widely than with the regional focus that we might usually have, so we have seen great online engagement across the world, because our students were all over the place once they had been forced to leave the university campuses. It has been a really interesting time. In some ways, the technology has been good to facilitate more connections and opportunities, certainly for online support to be delivered.

The flipside of that is the challenge that we do not necessarily know what the barriers are. We do not know who is not engaging, because they cannot engage. It is difficult to reach out to those people because we cannot see them. They are not with us; we are distanced. The opportunities that technology has given us to connect our students and graduates with employers and opportunities are balanced against the challenge that we do not know who is unable to access the service.

**Erin Bartley:** I echo what everybody else has been saying, but I want to pick up on a point that Hope Laing made in the previous evidence session about getting messages out to young people. I am sure that HE and FE are the same, but in SDS we have been using social media and lots of different platforms to ensure that we engage with all the young people who we are working with. For example, SDS did a series of webinars aimed at school leavers, and we had lots

of ideas on social media—on Facebook and Twitter. We have also been using TikTok and doing pilot programmes with it. Careers advisers have approached the situation by being as creative and flexible as possible.

As everyone else has said, we are dealing with a mix of people: some are technically advanced, but others do not have the opportunity to get involved with some of the technical aspects. We ensure that our delivery works across all platforms. As Kay Hume said, sometimes, that means using the good old-fashioned telephone, but it is also about embracing technology and some of the platforms that young people are using to ensure that we are covering all the bases.

**Colin Beattie:** Has there been any evidence of a disproportionate increase in demand from any particular group?

**Tracey Innes:** We have seen a huge spike in the number of our graduating students and previous graduates who are accessing our services, in a way that we would not ordinarily see. That is due to the job market challenges that they are facing. There has been a huge impact on them. Across Scotland, half of the Scottish careers services in HE support graduates for up to five years and half support them with a service for life. There are challenges in ensuring that our graduates know that those services are available to them once they have left university, but many of them have been finding the services.

**Garry Maxwell:** At Edinburgh College, there has been a real drop-off in demand for higher national certificates and higher national diplomas, with them moving away to HE establishments. There has, however, been an increase in school leaver applications for all courses across the college.

**Kay Hume:** We have seen an increase in demand from many of the young people who were on progression courses at the local college to prepare them for the next level of course. They did not finish that course, so they did not have the units that they needed to get to the next level. We were fortunate, because our college was brilliant and worked with us to quickly design a few courses to fill that gap. We could have seen a huge spike in unemployed young people, had the college not filled that gap. We were fortunate that the college was able to do that, but I know that that has not been the case elsewhere. There was an increase in the number of people who needed progression-level courses because they did not have the qualifications from school that they needed to get on to HNC or HND courses.

**The Convener:** Thank you. We now have questions from the deputy convener, Willie Coffey, who joins us remotely.

**Willie Coffey:** Thanks, convener.

The age-old problem of youngsters finding their way into work has worsened because of the situation that we find ourselves in. You heard one of the young people in the previous evidence session talking about how difficult it is to get a job if someone does not have the experience that employers are looking for. Another comment was that paid internships might be the next step up from volunteering.

Will you share your ideas with us about what we need to do better and differently to bridge that gap during the pandemic, so that we can at least give some hope to youngsters that there is a pathway into the workplace that is perhaps different from what we have done before? Should Governments consider supporting paid internships? Should we do more to help employers offer internships? I would be obliged if you could share your thinking to help us through this.

**Kay Hume:** It depends what level of internships we are talking about. Internships are often placed at higher education level, and that is often not what is required. It is required in some circumstances, but not, for example, in areas where lots of people are underemployed. In my area, travel, tourism and hospitality are huge industries, and we do not necessarily need high-level internships.

In the past, employers have been able to access funds to supplement the salary so that they can take on a young person. Such measures are fantastic for encouraging employers to take people on. There is a real need for such schemes, but across the board—not just for young people who fit into certain categories, but for any young person who is looking for an opportunity to move on and get real-life, paid work experience. Any kind of salary supplement or support always makes employers more willing to take young people on. I know that that has worked in the past; it has certainly worked in Orkney. I know that money does not grow on trees, but that is certainly worth thinking about.

10:15

**Willie Coffey:** Thank you. I would love to hear the views of the other witnesses. Garry Maxwell has his hand up.

**Garry Maxwell:** A paid internship is a great idea for work placements, allowing that work experience to—*[Inaudible.]* The issue that I see is with small and medium-sized businesses and microbusinesses. In the 2019-20 academic year, I had about 1,100 apprentices in college. About 75 per cent of them were with SMEs, which are probably not the kinds of companies that would be able to utilise that sort of Government scheme.

Any scheme would need to be very robust; and the careers service or the colleges should be involved in its generation, and there should be a focused plan. If we just rolled something out, it would work in some sectors, but not in others. It might work in information technology, travel and tourism, hospitality, construction and engineering, but it is very difficult to have that sort of placement without engagement, which takes us back to the issue of engagement with schools. There are a few pitfalls, but with cohesive thinking and focus, we could probably get there.

**Erin Bartley:** I will pick up on some of the points that Kay Hume and Garry Maxwell made. We want to do a bit of preparatory work. Some of the very disadvantaged young people I work with need preparatory work to ensure that they know about the levels of behaviour required and to get their confidence levels up before they go out on a work placement.

Equally, we need to work with employers so that they recognise the usefulness of having an intern and how that can benefit their business, for example through the fresh thinking of that young person and because the employer can train them from a very basic level. Therefore, although such a scheme would be wonderful, we would need to do a big piece of preparatory work and get the schools and employers on board, with input from the careers service to facilitate that.

**Tracey Innes:** It is important that we incentivise employers, through funding, to offer paid internships for young people who need them. It is important to think in as collaborative and connected a way as possible, so that we do not make it too confusing for employers to tap in to those opportunities to connect with young people. We need to connect HE with Skills Development Scotland and the developing the young workforce programme. It can be confusing for employers to work out how best to tap into some of the incentive funding with just one university, let alone across the whole of that landscape. Some connected thinking on that would be helpful.

SMEs have huge potential to offer students valuable experience. The University of Aberdeen and some other universities receive Santander funding for SME internship schemes, which are really positive and start the ball rolling for SMEs to take on graduates in the longer term and to see their value. The challenge is that only some universities get that funding, and the funding comes with restrictions and conditions each year. We need something that is more freely available and flexible in order to connect the right employers with the right pieces of work with the right students, so that everyone wins. How we do that is a challenge, but it would be fantastic to connect those things together.

**Garry Maxwell:** There is a clear funding gap between FE and HE. For graduates, there are internships and it is easier to utilise that model. However, where do we place a kid who is leaving school, who is disengaged and disadvantaged, and who struggled at school? What do we do with them, and how do we get them from A to Z? That is very challenging. Companies such as SMEs with money, big house builders or multinational companies want to work with the best, but what about the other 46 or 47 per cent of school leavers? We also need to focus on them and not forget about them. Such schemes might be okay for one group, but there needs to be something for everybody.

**Willie Coffey:** I will follow that up briefly. Who should contact employers? For example, in my constituency of Kilmarnock and Irvine Valley, there are loads of kids leaving school, going to college, leaving college, leaving university and looking for employment opportunities. They write hundreds and hundreds of letters to random employers, and most of the time the employers do not even answer. We have heard about that before; it has been going on for years. Is there a better way of reaching out to employers on a community or constituency basis, to bring them along on the journey with us and encourage them and promote to them the idea of paid internships or work experience, by directly reaching out and saying, "We need your help, but what help do you need from us to bring that about?" Could we do that a bit better?

**Tracey Innes:** We have been talking about that recently, because we are conscious that employers are being bombarded by individuals and by all the institutions, which are keen to find opportunities for their cohorts. Although there is an element of needing specialist connections for the particular provision that each provider might be able to offer, it would be good to have some kind of portal or collective area that pulls that information together, to ensure that we know what each other is able to do.

I am sure that we speak to employers that have needs that are not necessarily best met by our students and graduates, so being able to make referrals and share that intelligence would be best for everyone. I am not sure what the solution is, but perhaps a portal or website that brings all that information together would be a good start. There is something for everyone in there, but we need to accept that sharing would be better for all than trying to protect contacts. People would need to have a different mindset about that, particularly if they are trying to meet targets for placements for their cohort of students in their organisation. However, some connectivity can only be good for everyone, and it would lead to more opportunities overall across the range of people who need them.



**Willie Coffey:** That is helpful. Are there any other new ideas on making direct connections with employers to help youngsters?

**Garry Maxwell:** We do training in organisations, including with Midlothian Council. We work with employers, through the college, and we go into schools. We also do roadshow-type events. All those things enhance what we offer, but it is about getting our voice out there and telling employers how to engage and where to look for information. It would be great to have a portal, literature and social media platforms to show employers what is available, but reaching the audience is a difficult task. There are websites and so on, but everybody is in the same predicament. There might be too much diversity in what is available, and we need to become more focused.

**Willie Coffey:** Thanks, convener. I will hand back to you. *[Interruption.]*

**The Convener:** Thank you. There was a slight slip-up with the technology. We move to questions from Maurice Golden.

**Maurice Golden:** Thank you, convener.

Thinking about destinations for those leaving education, how significant has the reduction been? Have particular sectors been hit harder in that regard? Feel free to put up your hand if you have any thoughts on that.

**Kay Hume:** It is the same as what we were saying about apprenticeships, in that they are a fantastic opportunity for people, but employers are perceived to be wary of them at the moment because they involve having young folk out on placements. I go back to what we were saying about the work experience element of apprenticeships. In my area, the availability of apprenticeships is slightly less than it would normally be, just because of the work experience element.

**Tracey Innes:** It is difficult to know what the impact has been when it comes to destinations for higher education leavers. We normally carry out a leavers destination survey six months after graduation, but we have moved it to 15 months after graduation. Therefore, we have minimal information about the real impact.

Some universities do exit surveys. The University of Edinburgh shared its survey with me. It mapped that in June, and its data showed that 41 per cent of graduates were sorted, but the rest were not, for a variety of reasons: some were still applying for jobs, some had had to change their plans and some were still clueless. However, we do not have such data across all institutions.

HE institutions should be implementing measures to get better, more current data. There is a real gap in the timeline—we will not know the

real impact on this year's higher education leavers for another two years, as that is when the data will be available. That is a real challenge for us.

**Maurice Golden:** Thanks. That is interesting.

**Garry Maxwell:** I echo what Tracey Innes said. There will be a lag, in my area anyway, until next year or the year after. Some employers, industries and sectors had made commitments to take on apprentices prior to March. Within the Edinburgh region, although there is massive growth, massive house-building programmes and city deal funding—there is a whole pot of money there—once things tail off slightly, the lag will kick in, and that is where numbers of apprentices may fall.

As it stands, I am not seeing much of a reduction in apprenticeship numbers for 2020-21. The full-time programmes are massively oversubscribed. Last year, 2019-20, was a very good year for apprenticeships; the numbers for 2018-19 were standard. We will probably see the same this year, and it will be next year when the impact will really kick in, and we could go back to the numbers in 2009-10 when it all crashed with the recession and so on. We could see impacts next year, and schools, careers services, FE and HE will need to have progression pathways.

**Erin Bartley:** I echo what Tracey Innes and Garry Maxwell have said. At Skills Development Scotland, we are going through our census and looking at destinations, and we will report on that in due course. We do not have any official statistics yet to show the impact that Covid has had on destinations. However, SDS monitors that continuously, and I am sure that that will be reported soon.

**The Convener:** Thank you. John Mason has the next questions.

10:30

**John Mason:** Thanks, convener. I will aim my questions at Garry Maxwell, because I will focus on apprentices. What will have happened to apprentices since March, when everything suddenly stopped?

**Garry Maxwell:** Let me give the example of my department. All our apprentices were going through their training. We predicted grades, so the SQA and the sector skills councils were able to look at that information in pretty much the same way as the schools did. However, construction and a couple of other sectors were told that they could not do that.

In March, the college sector apprenticeships stopped, so no one who was doing an apprenticeship could move forward, because the SQA and the sector skills councils told us that any assessment decision made in college had to be

assessed, including skills tests and on-site Scottish vocational qualifications, which is already a very large piece of work for an employer and an apprentice. Therefore, until the colleges and construction sites could reopen, apprentices could not do anything.

Further, the companies were not being paid. The Construction Industry Training Board, which has its own issues, did not pay the levy funding to companies for apprenticeships. That levy is not being paid any more, and the companies are not looking to take on apprenticeships.

We now have to skills test everybody and bring everybody up to the level that they would have reached around April. The apprentices are waiting in a room. Employers, the industry and various sectors have been robust and helpful in their attitudes, but they have their own challenges. Apprenticeships in some sectors, and certainly in construction and engineering, have taken a hit. A lot of planning and organisation has been done across the 27 colleges. I sit on a construction strategy group, through the Energy Skills Partnership and Colleges Scotland, and we were meeting every week to think about how best to get the apprentices through. It has been a challenge.

**John Mason:** Did employers take on the apprentices again immediately after reopening in June or July?

**Garry Maxwell:** Yes, the apprentices were always employed with a company. The CITB is probably the largest managing agent for the construction industry, and it managed the apprentices and the employers through that process. For 90 per cent of apprentices, it is a four-year journey. It is the apprentices who are coming to the end of that journey who require the skills testing to gain their qualifications, either to become time-served in their field or to move on to higher education. Those apprentices have really been affected. We will not finish the skills tests until mid-October, which is a good five months late.

**John Mason:** If I understand you correctly, it is those at the end of their courses and apprenticeships who have been delayed by some months, but those who are part way through their courses are less affected because that is just part of their four years.

**Garry Maxwell:** They are less affected, but there will be a knock-on effect. Apprentices normally attend college in the first two years of their apprenticeships, to do the training element, and then they do the work-based element in years 3 and 4. However, if the second-year apprentices are still to do their training element and we have to add more weeks on to courses because of Covid, it is unlikely that an employer will take on a new

apprentice. For an employer with a workforce of eight, including three apprentices, there is a real chance that they will lose all three at one time, because the apprentices will have to come to college. That is a massive strain on their workforce.

**John Mason:** You made the point that there might be a lag, so the impact will not be felt immediately but further down the road. However, the committee has also heard that there is a skills gap and an ageing workforce. Will those cancel each other out?

**Garry Maxwell:** At present, the construction industry is a growth industry. I have been in FE for a long time, and I have seen peaks and troughs, but the industry is in a really good position just now. Edinburgh is in a good position, but that is not the case for some other regions. The skills gap in certain areas is predominantly not in construction trades but in other elements of construction—professional elements, such as engineering, where it is very hard to do upskilling or where there is an ageing workforce and the retirement age is being extended. You might not see as much of a fall-off in that area.

**John Mason:** I see that none of the other witnesses wants to comment on apprentices. Thanks, convener.

**The Convener:** Andy Wightman is next.

**Andy Wightman:** Several of you have mentioned the challenges that employers face, particularly with apprentices. Where are you having the best experiences with employers when it comes to supporting people into work? What more needs to be done to enable employers to play the role that, in many cases, I am sure that they would like to play?

**Garry Maxwell:** Employers are committed to the apprenticeship scheme and to the FA scheme. In FE, we hardly hear anything about the graduate apprenticeship scheme, but employers engage in the FA and the modern apprenticeship schemes really well. Employers see an opportunity to broaden their horizons. There needs to be more focus on apprenticeships. The importance of apprenticeships needs to be blown up more through social media; we need a campaign to show how important it is.

Construction, IT and travel and tourism are three of the big areas where apprenticeships are normally available, but there are other sectors where apprenticeships could really blossom. Construction and engineering are okay on apprenticeship numbers for the 2020-21 new starts, but the SDS publication for quarter 1 shows that the picture is not looking particularly healthy. Some sectors could do with significant support. We are looking at employers.

**Tracey Innes:** The University of Aberdeen does not have a huge amount of experience of graduate apprenticeships, because we have only one framework, which is in civil engineering. Recruitment has been very difficult this year.

A wider point to make about graduate apprenticeships is that, although we have had a number of companies interested in the scheme, we have found it difficult that there is a time lag between an employer saying that they would be interested in a framework and the right framework being available at the right time at the right institution to be able to match them. There has definitely been an appetite when we have spoken to employers, but we have not been able to deliver that. We have been able to refer them to other institutions, of course, but there is a bit of a challenge with the timelines for matching frameworks and delivering them in the regions where they are needed at the right time for the employers that show an interest.

**Garry Maxwell:** To echo what Tracey Innes said about frameworks, consideration should be given to employer engagement and what employers in industry would like. What awarding bodies produce for HE and FE, which is very descriptive, and what employers actually want at this difficult time should be looked at. We need to be more proactive in what we deliver and how we deliver it. Instead of saying, "It's always been this," we could be more proactive. What awarding bodies produce is very descriptive and long-winded, and we could be more reactive to employers' needs in various sectors.

**Kay Hume:** There are lots of frameworks available and there are lots of things that employers need to know when they employ young people. The apprenticeship framework is fantastic, as are any other frameworks and opportunities that employers can offer. However, employers sometimes need clearer guidelines. There are so many opportunities available, but is it really clear to employers which opportunity they can pick, and can advertise and use with a young person, or is there just a huge amount of information that feels a bit confusing, resulting in the opportunity being left on the sidelines, because they cannot get their heads around it all? Clearer guidelines are needed.

**Andy Wightman:** Do any of you have a view on how the job guarantee scheme that has been announced should be developed or on key things that it should include?

It is fine if no one has a view. Thank you, convener.

**The Convener:** Rhoda Grant is next.

**Rhoda Grant:** I have a supplementary question on communications. The issue was raised by

witnesses on the previous panel, and there has been some discussion of that in this evidence session. Tracey Innes said that the services do not necessarily know where young people are, because that might have changed as a result of Covid. How can the services be made more visible to young people? An issue that came up in the earlier evidence session is that the young people said that they did not all necessarily follow every move and every change. How can the services be made more visible to young people so that they can access them?

**Erin Bartley:** As I said in one of my previous answers, we need to develop strategies that cover all the platforms that young people use. I think that Hope Laing said that she had not seen much on social media. We need to ensure that we can cover all the bases. Given how many social media platforms there are, we should ensure that we use all the different communication channels and really target the forms that young people use.

Historically, we have focused on Facebook and Twitter, but the statistics show that those are used mainly by older people and not so much by the younger cohort. Therefore, we need to investigate some different social media platforms and perhaps form focus groups with young people to find out where they would like to access information. One of the young people in the previous evidence session said that they liked to get information through their youth groups, so perhaps we need to look at a joined-up service so that we can all ensure that we are utilising all the different information outlets and that young people know where to find us.

**Rhoda Grant:** Are there gaps in the provision of opportunities for young people? We are looking at the youth guarantee scheme. What sort of gap should that fill? How should it provide young people with the opportunities that they need?

**Kay Hume:** With the youth guarantee, there could be a potential gap in the opportunities available for young people. There is a slight disconnect when it comes to understanding the qualifications that young people might have. For example, many employers will ask for a national 4 or national 5 qualification in the core skills of English and maths. A young person might have been at college and gained a level 4 qualification in communications, but that might not be translated into national 4 English. There is a slight disconnect between the naming of qualifications and employers' understanding of qualification levels.

10:45

That issue also goes back to parents' and carers' understanding of qualifications. This year,

we have heard many young people say, “Oh, I didn’t get my national 5 English and maths.” We understand that that is what young people want to work towards, but there are other qualifications at the same level that are achieved slightly differently, perhaps through college rather than through school exams.

**Rhoda Grant:** I will bring Garry Maxwell in shortly, but how can we change that, Kay?

**Kay Hume:** I am not sure. The qualifications framework is so big. I use the qualifications framework a lot, and I have it on the wall in my careers room in school. When young people are considering college but they think that they have to stay at school to get their national 4 or national 5 qualifications, I can easily show them, using the framework, that the college course that they want to do is at that level. The issue is to do with the language of qualifications and how that is interpreted by individuals, including parents and carers, and potentially by schools and colleges, because understanding what each level of qualification means is quite a minefield. It is fine if you have got the framework sitting—*[Inaudible.]*

**Rhoda Grant:** I am sorry, but the sound cut out a bit there.

**Kay Hume:** I am sorry. I said that it is fine if you have the qualifications framework sitting in front of you and can explain it to people, but it is not always understood.

**Garry Maxwell:** More education is needed on the qualifications framework. That issue is putting some employers and some young people off.

I will take construction as an example. A young person might leave school with a national 4 or national 5 qualification, or sometimes with nothing at all, and be taken on to do an apprenticeship. The apprenticeship scheme and the modern apprenticeship training programme are at level 6. Scotland-wide, 30 to 40 per cent of young people on that scheme in construction departments do not have the entry requirements for the college course, but on the apprenticeship programme they undertake that level of study. The reduction in funding to FE and the impact on the already bloated frameworks for the modern apprenticeship programmes are putting massive strain on the college sector.

In construction at Edinburgh College, I have only 10 or 11 full-time courses. The rest are all modern apprenticeship courses, so I predominantly work through modern apprenticeships. The work that goes into combined assessment and distance or remote learning over and above the already-prescribed 30 weeks of off-site training is massive and it is a real challenge. That is where the qualifications frameworks sometimes fail young people.

**Rhoda Grant:** I want to be sure that I understand what you are telling us. Are you saying that additional support is needed because there is such a gap between the qualification that the young person is starting out with and the level that they are working at?

**Garry Maxwell:** Yes. They are starting an SVQ level 3 or a professional development award level 6, all of which is at level 6. Some young people might have left school and gone to work with a family member or somebody they know, some have left school with no qualifications, but an apprenticeship is a positive destination for the school and the careers service, and they land at college with no underpinning skills. We then have to give them those skills. To gain an apprenticeship certificate through the modern apprenticeship scheme, young people will need to have an information and communications technology qualification at level 5, so we have to deliver that over and above the modern apprenticeship contract to allow the apprentice to gain the modern apprenticeship qualification. However, that is probably not seen by schools, which might not know what qualifications the young people need. There is a massive problem with that.

We would love to put on a level 5 course. We have done that, and we have a good understanding of what the sector needs at level 5. However, for a young person who comes to the programme straight from school and does not have level 5 qualifications from doing a national progression award or from FE, it is very difficult for them to get where they want to go. As lecturers and curriculum leaders, we all feel that it is a very challenging qualification for a young person who does not have that level of knowledge. The additional funding was stripped out about four years ago, so it is hard for us to put in the level of support that is needed. We are not able to function on that plateau, for want of another word.

**Rhoda Grant:** All young people need help at the moment, but could the youth guarantee scheme do something about the situation that you describe, if a section of the scheme was pitched at young people who have left school with no qualifications, to give them a leg up towards the modern apprenticeship?

**Garry Maxwell:** It could, but the issue lies with the way in which the awards themselves are devised. Taking construction as an example—I know that I have referred to construction a lot—there is no foundation apprenticeship in construction. Therefore, a young person would move from an SCP course at level 4, which has just been rewritten, to a level 5 qualification. However, once they had been there for a while, we might think that they could progress to a higher

education certificate, then a national certificate and take that route instead.

A better understanding of the awards is needed. Everybody who wants to go down the modern apprenticeship route understands what that means, and that starts at S1 and S2. Yes, it could be included in the youth guarantee scheme, but education is needed from a younger age about what the modern apprenticeship level is. Usually in the construction industry, the perception is that it is about wee Jimmy getting an apprenticeship with his uncle. That is what people think—"Okay, she'll go to college, do a wee bit here, and that's that." That is the perception of an apprenticeship, and that is what we are trying hard to change.

**Rhoda Grant:** Does anyone have any other thoughts or comments about the gaps in opportunities for young people?

**Tracey Innes:** On the HE aspect, when we talk about young people, we are talking about a wide range of people in terms of ages and stages of education. We need to ensure that we have enough specialist and targeted provision for the different stages that young people are at, which will pitch and flow through to higher education, including provision for when they exit higher education.

It is now a gap, because it is no longer available, but, up until last year, we had a scheme called ScotGrad, with funding incentives for SMEs to take on graduates. That has been paused or mothballed or whatever you might say—it is not currently available. The last available data for the graduate labour market showed that 44 per cent were in SMEs, so I am concerned that that scheme has been taken away at a time when we really want to encourage and enable SMEs to take on graduates. The scheme was for graduate internships for six to 12 months, with funding incentives, which I think was shown to mean that they would then take graduates on for the longer term. The scheme plugged a gap between graduation and employment, but that is not available just now.

**Rhoda Grant:** Do you know why it is not available?

**Tracey Innes:** That is down to funding, as far as I am aware. I assume that it was Scottish Government funding, but I am not entirely sure; it might have been Scottish Enterprise funding.

**Rhoda Grant:** We might be able to investigate why it is not available and whether it is going to come back on stream.

I see that there are no further comments from the other witnesses. Thank you, convener.

**The Convener:** Thank you. That brings us to the end of the agenda item. I thank our witnesses

for taking part. I will suspend the meeting briefly until around 11 o'clock, when we will move on to the next item.

10:56

*Meeting suspended.*

11:03

*On resuming—*

## Scottish National Investment Bank

**The Convener:** Welcome back. Agenda item 3 is the Scottish National Investment Bank. I am pleased to welcome two witnesses from the Scottish National Investment Bank. They are with us in the committee room. Eilidh Mactaggart is the chief executive officer designate and Willie Watt is the chair designate.

I will start by asking about the mission-oriented framework that was developed for the bank by Professor Mazzucato. Are you satisfied that the proposed missions meet the five criteria set out in the framework for the bank?

**Willie Watt (Scottish National Investment Bank):** I will start on that, then Eilidh can come in. The short answer is yes. The three missions certainly are targeted and directional. We think that they meet the grand challenges that Scotland has—creating a low-carbon future, dealing with inequality and stimulating innovation—which, in turn, should help to deal with some of our demographic issues.

It is for the bank to make sure that the progress is measurable. There is sufficient evidence from other investment organisations around the world that it is possible to create data-based measurement of mission-based activity. We need to put that into practice and we are working on that at the moment.

It is reasonable that the missions should be time bound. There is no point in looking at them on a short-term basis, because if we do that we will not move the dial. The reason why they are grand challenges is that they are persistent issues that require attention. It is right that there is a long-term time horizon for them. The reason why 2045 was picked for the low-carbon mission is obviously so that it coincides with the Government target for net zero. A 20-year time horizon for the other two missions should allow real change to embed itself.

Professor Mazzucato's recommendation that we should not be sector or discipline specific is right. The missions have implications across all parts of the country and all industrial sectors, so to pick out just one or two sectors or disciplines would be wrong. We very much agree with that. The missions give the bank the opportunity to build bottom-up solutions, as Professor Mazzucato has suggested. In short, they give us the parameters and directionality that we need to fulfil the bank's aims.

**The Convener:** What is the priority for the bank? You talked about—

**Willie Watt:** In terms of the missions?

**The Convener:** Sorry, perhaps I could clarify the question. You talked about innovation, but that was only the third thing that you mentioned. Is there a list of priorities for how to approach things? How are they ranked? Was it just coincidence that that was the third thing that you mentioned?

**Willie Watt:** That is the way that the missions are always written: net zero, place making and innovation.

To answer your question, the First Minister has said that the first among equals or the number 1 mission is the low-carbon mission. We have taken that on board and we need to work out what that means in practice. Neither of the other two missions is less important than the other, but if the low-carbon mission is to be the number 1 mission, the other two, by definition, need to be subordinated to that. I would describe it as there being a number 1 mission, then two equal missions.

In terms of our activity, we think that quite a number of the investments that we will make will cover more than one mission. For example, innovation covers technology investment, but if that investment was in clean tech—technology that captures carbon or helps to manage low-carbon solutions—that would clearly meet two mission requirements. If that business happened to be in a place of high inequality, it could potentially hit three missions.

When we report on our activity, we will need to make sure that we report each investment that we make against the mission that it is resolving, so that we can make sure that we are reporting on all the activity for which we are responsible.

**The Convener:** I was not suggesting that the three missions were mutually exclusive in any way.

When you talk about investment, most people think about putting money in and expecting a return, or at least that it will hold its value. Is that part of your approach?

**Willie Watt:** Yes. We reject the idea that commercial returns and mission benefits are in conflict with each other. We expect to see a mix of commercial return and mission benefit in every investment that we make. We will not make commercial investments that have no mission benefits and we expect to have a commercial return from any mission benefit investment that we make.

**Maurice Golden:** I will pick up on that point about commercial return and there being no

apparent trade-off. Certain investments in the environmental sphere are more bankable than others, for example, an energy-from-waste plant versus other forms of less commercially bankable returns. How do you square that in relation to your investment strategy?

**Eilidh Mactaggart (Scottish National Investment Bank):** Primarily, the bank will be looking to invest in commercial projects. If something is too early in its evolution and needs grant funding or sub-commercial funding, we might work with other agencies to encourage that technology development.

As a development bank, however, we will look at investing in the higher risk end of the spectrum. If the retail, high-street or corporate banks are able to do the investments, we will not need to. We will try to path lead into that as soon as we can make the technology commercially viable, but there is a little bit there where we will be working with other agencies as well.

**Maurice Golden:** Will that be reflected in both the rate of return that you expect and the payback time?

**Eilidh Mactaggart:** Absolutely. There are two key issues in relation to rate of return. We are patient capital and patient capital has patient returns, so we will not see an immediate return from many of our investments. We will also be looking for mission benefits and ensuring that the commercial return marries well with those. For me, there will be an evolution: first, we want to get the bank to financial self-sustainability and then we want to look at providing a positive return on the investment made to the people of Scotland, which is essentially where the money is coming from. That evolution will take time, but we firmly believe that, with time, we can provide a positive return on investments that we make.

**Maurice Golden:** On the overall investment strategy, one of the issues that we have faced previously is related to the size of investment. When we talk about the circular economy, we are often talking about small-scale investments. What is the bank's appetite for those sorts of investments?

**Eilidh Mactaggart:** We will be looking to invest across the piece. There might be a point at which an investment is too small; initially we will consider projects and businesses looking for investment above a certain level. If we are looking at a project in a rural area or that has a specific niche that appears to be worth considering, such as a start-up, circular economy recycling initiative, we will not take a hard line and say that we will not consider it. However, we need to ensure that our impact is sufficient. We are an investment bank and we sit at a certain point in the structure, so a

certain scale will be required. However, we will work closely with others to ensure that the financial ecosystem, as a whole, provides.

11:15

**Willie Watt:** We can also invest in funds that are able to deliver smaller chunks of capital. We see the bank impacting on the overall ecosystem of funding by direct-funding a certain size of project—we need to work out what the size will be—but also by investing in funds that will go deeper into the smaller scale companies. Our job is to ensure that the funds that we invest in are fit for purpose and professional, provide value for money and do exactly the job that we want them to do.

You may have seen the Logan report, which we are quite interested in, because one of the other challenges involves scale-up and the bank has quite a big role to play in that regard. At the moment, there is quite a lot of angel investment, which does a really good job, but it is difficult for angels to follow the money as businesses scale up, because they have limited resources. We can do that.

The Logan report also highlighted that the venture capital sector in Scotland is immature. One of the things that we can do by investing in funds for early-stage development is help to foster that sector, because we can provide cornerstone investment for those funds to help to get them off the ground, and that will create more of a private sector ecosystem that will support early-stage companies.

**The Convener:** We now have questions from the deputy convener, Willie Coffey, who joins us remotely.

**Willie Coffey:** I want to ask about scaling-up potential. Yesterday, I spoke to Technology Scotland. The discussion focused on how Scotland is pretty good when it comes to innovation and the generation of new ideas, especially in digital science, bioscience and even photonics. Although we seem to be really good at establishing things, we do not seem to be very good at hanging on to them and enabling them to grow in Scotland. How do you see the bank performing in relation to scaling-up exercises so that, as we hope, bigger companies emerge and stay in Scotland?

**Willie Watt:** The point is well made, and we agree with it. There are some good examples of scaling up—Skyscanner is the one that everyone talks about—but there are too few of them and they are in too few sectors.

What is behind that problem? One issue is that the investors with the deepest pockets are not

Scotland-based—they tend to be based on the west coast of the US, around Boston, in London or Berlin. The bank can be a deep-pocketed long-term investor, and we also hope that we will crowd in other deep-pocketed long-term investors. Scottish Equity Partners, which is our pre-eminent private sector venture capital firm and was recently rated as one of the top 10 venture capital firms in the world, was instrumental in the scaling up of Skyscanner. We can play that role.

We can also give management teams confidence to go further on the journey with their company, rather than selling out at an early stage. Why does that happen more often in Scotland than it does in other parts of the world? Perhaps it is because companies feel less confident about the overall ecosystem. I keep using that word; perhaps I need to think about using something a bit more original. However, the point is that they might have concerns about the other tech companies that surround them.

The Logan report is quite good on the subject. If you look at the successes, you see that those companies have a host of other companies around them, and that all those companies give each other confidence—“They made it big, so we can make it big, too, and go all the way through to a listing on the stock market.”

It is partly about confidence, partly about long-term funding and partly about not selling the technology at the stage of spin-out from university. I was looking at *The Sunday Times* tech track 100. One of the leading companies in that list is in Oxford, but the technology came from the University of Dundee; the company is now based in and scaling up in Oxford. I do not know anything more about that example, but the question that I ask is why that is happening not in Scotland, but somewhere else.

As a bank, we need to ask ourselves that question. We need to ask whether it is to do with the infrastructure around scaling up, in terms of premises or skills. If that is the case, we need, as well as actually investing in scale-up companies, to look for investable opportunities in real estate and skills development that could foster scale-up. It is a real issue.

**Willie Coffey:** That was a really good answer. Is part ownership and control a factor? Do you see the bank taking part ownership and control of companies when it makes investments to assist the scale-up process, so that it can give confidence and assurance that it is with the company during the transition? Would it help to turn that around a bit more in our favour?

**Willie Watt:** Yes and no. The answer is definitely yes to working with a company and being a shareholder in it. We are talking to

representatives of companies in which we will potentially invest; we are trying to have a dialogue about the long term and helping management teams to equip themselves for that.

Because we are a Government institution, there are limits to how big a share we can hold and how much control we can have before the investment goes on to the Government's balance sheet, which I think no one wants to happen. Therefore, we have to be careful that we do not overstep the mark into being too controlling, or into being controlling at all. However, we can be a challenging and supportive partner and we can use our collective knowledge to help companies to go through growth phases.

**The Convener:** I apologise. I think that one of the witnesses had prepared a brief opening statement. That information was not fed through to me, so our missing it at the start of the meeting was unintentional. At the end of the meeting, I will give the opportunity for a brief summing up, in the light of that.

I am not sure whether you can see our remote members on the screen when they ask questions.

**Willie Watt:** Yes, I can.

**The Convener:** That is great.

**Andy Wightman:** I will start with a question for Eilidh Mactaggart. You mentioned that the bank will invest in patient capital. In general terms, what level of support would you provide to someone who comes to you with a genuine blue-sky idea that has a lot of potential but has had very little development work done on it, and for which, because it is so innovative, the proposer has found it difficult to get the advice and support that they need? Do you envisage the bank being able to provide support for such things?

**Eilidh Mactaggart:** The bank will be able to work with businesses and projects—“technology project” is a term that we use in banking for something that is slightly different to a “business”—to finance their propositions.

Scottish Enterprise does a lot of work on financial readiness with businesses, and we expect that to continue. If someone comes to us with a blue-sky idea, and we think that they need a little bit more help on the advisory side and on setting themselves up, we might refer them to Scottish Enterprise. It will depend on where they are on the blue-sky spectrum.

I always say to the team, and to Willie Watt, that all the investments that the bank will make are likely to be hard-work investments. If they were easy investments to make, the corporate bankers would make them. We will work hard with our counterparties to make sure that a business or project is set up properly—that it has the right



controls, the right balance sheet and protections, and the right levels of debt and equity in the structure to realise growth ambitions.

If something is too early in the blue-sky phase when it comes to us, and really needs grant or sub-commercial funding, we will look to other funds. As Willie Watt mentioned, the British Business Bank does great start-up sub-commercial funding, and grant funding is available through various Scottish Government agencies. We will try to ensure that we are connected to the whole system, so that we can point to the right person and work closely with them. We do not want simply to say to someone who comes to us, “That doesn’t work for the bank”, then send them off. We will want to ensure that they are picked up in that ecosystem; so are therefore working closely with public sector partners.

We also work closely with private sector partners. I think that it will be rare that we provide 100 per cent of the financing. We will always look to lever in private capital alongside the public capital in order to maximise the impact of the public capital. We will be constantly networking and talking to the market as a whole to make sure that everyone gets the service that they need.

**Andy Wightman:** Thank you. That was useful, because it links a little bit to Willie Coffey’s question about losing innovation from Scotland, in that all agencies that are geared up to provide support must make sure that they do as much as possible to encourage and assist entrepreneurs.

Section 5 of the Scottish National Investment Bank Act 2020 says that the bank “must prepare and update” a balanced scorecard. Obviously, it will be some time before you do that, but have you undertaken any work on how to approach that task?

**Eilidh Mactaggart:** Yes, we have. We have the “Scottish Public Finance Manual” framework, the United Nations’ Principles for Responsible Investment Association framework and the UN sustainable development goals. We are pulling all those together in tracking our investments. We will look not only at financial returns; we will look also at the full suite of mission-impact returns, which, given the nature of our mission, encompasses sustainable development, responsible investment and ethical investment parameters.

Before I joined the bank, the team did a lot of work on that for the passage of the bill. We continue to work on that, and we will continue to perfect that investment by investment, as we learn. We, too, are a start-up, so we will work on a continuous-improvement basis. That is the terminology that I use with the team when we are talking about that aspect.

As Willie Watt has said, our reporting will not just be the usual bank reporting of numbers; it will be much wider than that, and the balanced scorecard will be embedded in it.

**Andy Wightman:** I think that I heard you say that you are a start-up. Is that correct?

**Eilidh Mactaggart:** We are a start-up bank looking to invest in start-up companies.

**Andy Wightman:** You are a start-up bank, but you are not the only publicly owned development bank. At the current stage in developing the bank, have you found any financial institutions around the world to be particularly helpful in learning lessons from them or drawing on their experience?

**Eilidh Mactaggart:** Yes. We have had fantastic interaction with the British Business Bank, the Development Bank of Wales, and Invest-NL in the Netherlands, which is one of the most recent development banks in Europe. We have also had contact with the EIB Group. In my former career, I did a lot of investments alongside EIB, the International Finance Corporation and the World Bank. We have been tapping into that well.

Do you want to add to that, Willie?

11:30

**Willie Watt:** As Eilidh said, quite a lot of framework work has been done on that. Under the UN Principles for Responsible Investment Association’s ratings, the company that I ran previously was rated triple A, and A+ for its sustainability reporting. We can bring such experience to bear. In putting the board together, I am taking cognisance of bringing on to it experience that can help us, in that the people will have been there before. We have not finalised the board, but two or three potential members have strong backgrounds in that space in the public and private sectors. They could add a lot to Eilidh Mactaggart and the team, in terms of helping with that.

I hope that our balanced scorecard will, when it sees the light of day, include the benchmarking against best practice that has been talked about. However, it will also need to be tailored to our situation in Scotland; it will include a mix of the two.

**Colin Beattie:** I will start with a straightforward question. How confident are you that state aid permission will be secured from the European Commission before the end of 2020?

**Eilidh Mactaggart:** I am fairly confident. We have had some really positive engagement in the past month or so, and I have another call with the Commission this afternoon. Our last engagement was at the end of July.

We submitted the pre-notification—in essence, that is the draft notification—at the beginning of June, on 3 June I think. We have had some back and forth on it. The engagement at the end of July was very positive; Commission officials were talking about drafting decisions, and we went back with some answers. We will have a call this afternoon.

We hope to get the permission in timely fashion. In our conversations, there has been talk of decisions coming, so there has been good and positive engagement, of late. I am really pleased about that. The permission is time-critical for the bank; the act does not allow us to be capitalised until the state aid consent comes in.

**Colin Beattie:** Clearly, time is short until the end of the year, and things are moving very quickly. If consent does not come through, what are the implications of Brexit, and for the bank's launch date?

**Eilidh Mactaggart:** If we do not have the consent by the end of the year, we will sit down with ministers to discuss how we will deal with that. We are working closely with the Commission to ensure that we do not get to that point.

**Willie Watt:** As Eilidh Mactaggart has said, the act is clear that, without state aid approval, the bank cannot launch. We would want to sit down with ministers and decide what to do, if we were to be in the very unfortunate picture that Colin Beattie painted for us. Ministers are leading on that issue, but the bank team clearly wants to launch as soon as possible.

We have not yet talked about the Covid crisis, but there is clearly a huge pressure on and impetus for the bank to launch. We would be very concerned if we did not get state aid approval.

**Colin Beattie:** I presume that you have a plan B; there is always a plan B. We cannot assume that the permission will come before the end of the year. No matter how confident you might be in your discussions, all sorts of political considerations could derail it.

**Willie Watt:** Yes—of course things could derail the permission. The challenge about plan B is in knowing the state aid environment that we will be entering. Members will be familiar with the political announcements by the Westminster Government about state aid; it is talking about a state aid environment that is much more permissive than the current one.

Earlier in the year, there was talk that the Competition and Markets Authority would be responsible for the state aid regime. We have open discussions with the Competition and Markets Authority, and recently we have been told that it might not be responsible for state aid.

It is important that we have a plan B. However, to be candid, that plan B has a political element and the Holyrood and Westminster Governments would have to be significant parties to it. The bank cannot come up with a plan B in isolation from our owners in the Scottish Government.

**Colin Beattie:** Any delay in launching the bank is obviously a great concern. Would it be reasonable to assume that, if we did not get the permission from the European Union, we would be virtually starting the clock again with a new agency—whatever it might be?

**Willie Watt:** I am not sure that I would assume that. There might be other ways in which that could be dealt with. To be honest, ministers need to give us guidance on that.

**Colin Beattie:** Another problem is that discussions on the HM Treasury dispensation now form part of the fiscal framework engagement. That means that the bank's year-end financial position will need to be taken into account as part of the overall Scotland reserve, and it has implications for the degree of independence that the Government would like to put in place for the bank. How will that impact on the bank's operation? Where are we on that?

**Willie Watt:** You have summarised the situation absolutely correctly. That is part of a wider discussion that is above our pay grade; that is where it sits. Eilidh Mactaggart and I need to work out how we run a bank without that dispensation. We need to be very closely connected to the Scottish Government Treasury function, so that we can plan our access to capital and our capital requirements at the micro level. That will mean that there are as few surprises as possible in relation to how much capital we need in any given time horizon.

We think that that is manageable in the first year or two. The risk is not in the same category as the risk relating to state aid. It is a manageable risk that we can deal with through good faith and operational planning from the bank and the Scottish Government. Clearly, that derogation is important to the bank and would really help us. We would like the situation to be resolved as soon as possible.

**Colin Beattie:** To what extent are you involved in those discussions?

**Willie Watt:** We are not particularly involved in the discussions. They are being led by the Scottish Government.

**Colin Beattie:** Would you expect to be involved?

**Willie Watt:** We would be happy to be involved in the discussions if it was felt that that would be helpful. The issue is important to the bank.

Wherever one sits politically, the missions that the bank is focused on are for the good of the Scottish people. I do not see the issue as political.

**Colin Beattie:** Most important, are you reassured that the bank's launch will not be delayed simply because of that issue? It just makes it more complicated.

**Willie Watt:** That is correct.

**The Convener:** Richard Lyle, who is joining us remotely, will ask the next questions.

**Richard Lyle:** How has the Covid-19 pandemic affected plans for the bank, and what role will the bank play in the Covid recovery response?

**Eilidh Mactaggart:** Since April—just after I joined—the bank has been working with Scottish Enterprise to support the Government's response to the Covid pandemic. We are still in the start-up phase and are not quite launched yet, but we have the ability to do some investment and we have been supporting our colleagues across Government by doing that.

There was some discussion earlier—Willie Watt might be able to give more background on that, as it relates to a time before I started—on whether the bank launch should continue, given the Covid crisis, and it was decided to continue.

The most important thing for me here is that the bank's focus is long-term patient capital. The bank should not be involved in short-term working capital requirements for businesses; there are other means by which that need can be met. If we are going to deliver on the missions that we are being set, we need to keep that focus on patient capital.

Undoubtedly, however, a lot of the investments that we make will help with the response to Covid. In many instances, we can see an increased need for the missions and the issues that they address—inequality, green recovery and so on—as a result of Covid, so we believe that the bank was already aligned with what needs to be done to respond to Covid.

**Richard Lyle:** The advisory group on economic recovery has recommended that the bank leverages public capital by issuing bonds as a “pressing priority”. How will the bank respond to that recommendation? Can I also ask, as I previously worked for the Royal Bank of Scotland, if the bank issues bonds, will they be sold to the general public or just to financial institutions?

**Eilidh Mactaggart:** I will take those questions in order and come to the investors second.

There are many ways to leverage private capital alongside the public capital, which I touched on earlier. We can co-invest with private sector capital on an investment-by-investment basis. We

can invest in funds, as Willie Watt has covered, and there will be private capital in those funds alongside the public sector capital that the bank has. We can also establish our own funds; Willie and I very much share that ambition. We come from banking and investment management backgrounds, so there is that combination of experience. We are aligned in our ambition to raise funds, whereby we can use our public capital to cornerstone investments in funds to attract private capital, which will enhance and increase the impact of our missions overall.

In addition, we can issue bonds. Debt capital market issuances can take many forms. They can be bank-level bonds, in which the bank leverages itself. In the past 10 years, green bonds have been issued—for example, utility companies can issue green bonds. Down south, Anglian Water issued a green bond to put solar panels next to a reservoir to power the reservoir; green bonds can be used for many things. Social impact bonds are becoming increasingly common, and a number of development banks in Europe have been issuing them. The funds that are raised by those bonds are directed toward a type of project that has a social benefit, and that would be hugely beneficial for the bank. Most recently, HSBC has launched a transition bond for oil and gas companies that are moving out of the sector.

All those things are potential tools. For me, it makes sense that the bank should start on an investment-by-investment basis and build up from there. When you raise money for a fund, you often attract pension capital. That capital tends to be the biggest player in the debt capital markets, in terms of buying bank debt, issue debt, social bonds or green bonds.

I prefer the fund management side, because you have a closer relationship with your capital. Typically, the debt capital market is anonymous—you give an update over the phone—whereas in fund management, you sit much closer to your investors. However, all those tools would be advantageous to the bank, and Willie Watt and I certainly have those ambitions for the bank.

11:45

**Willie Watt:** I add that we think that, in the first instance, our investors will be institutional investors. The regulatory framework around offering fund or bond investment to retail investors is such that it would take longer for the bank to be in a position to do that. In addition, we would want to be much more confident that any investment that was open to the general public was one that we absolutely understood. Therefore, it is likely to take us a little while to get to a situation in which we could issue bonds or create investment funds

for the general public. We will do that for institutional investors as soon as we can.

**Richard Lyle:** That is fine—thank you.

**Rhoda Grant:** The committee received a submission from the Scottish Council for Voluntary Organisations and Social Enterprise Scotland that expressed concern about how the bank is engaging with charities, voluntary organisations, social enterprises and co-operatives. How will the bank engage with those sectors and community organisations that are economic generators?

**Eilidh Mactaggart:** We are certainly committed to working with the third sector, as that will be important to the delivery of our missions. We have already had some engagement with Social Investment Scotland and Charity Bank, and we regularly speak to housing associations. We sometimes engage with the third sector and, as part of that, we have been working with the education sector.

Communicating and working with the third sector, the public sector and the private sector will be critical to the bank's success. I would not want to rank any of those people in importance. We need to make sure that we talk to everybody because, if we do not, we might miss an opportunity to invest for our missions.

**Willie Watt:** Eilidh Mactaggart and I had a meeting with the chief executive and the chairman of Social Investment Scotland in July, I think—

**Eilidh Mactaggart:** Yes, it was July.

**Willie Watt:** We thought that that was a positive meeting and we were encouraged by what they told us. They might like us to engage with them more sooner, but we are under pressure to get the bank launched. That is not external pressure; it comes from ourselves, because we know how important it is to get the bank launched as soon as possible.

We have said to interlocutors that we could deal with, not just in the charity sector but in commercial sectors, that we really have to get the bank launched. Once it has been launched, that will be the right time for us to engage in deep discussions. It is a matter of prioritising launch above anything else. As chairman, I know how hard the executive team is working on that. We are committed to launching the bank as quickly as we can. However, it is absolutely not the case that we will forget about the third sector.

**Rhoda Grant:** When the committee took evidence on the Scottish National Investment Bank Bill, it was told that the demand for finance in Scotland was very mixed and, since then, we have had the pandemic. Given that you are focused on the priority of getting the bank launched and are not talking to those who might use the bank, does

that mean that the bank will have quite a slow start? Are you going to stimulate demand in the market only once the bank has been launched, or are you working with organisations other than those in the voluntary sector to stimulate demand now?

**Eilidh Mactaggart:** We are already working on some investments. We are balancing the need to launch with the need to start developing a pipeline of demand. The chatter about the setting up of the bank has been stimulating demand. We get a lot of contact, and we are working on a number of investments. Of course, as time progresses and the bank builds, people will see the types of investments that we will make, which will itself stimulate demand. I am in the process of hiring a team to stimulate such demand.

We will also be relying on others to send opportunities our way, as all good institutions do. For example, we expect that Scottish Enterprise will refer a number of potential investments to us. We expect to see other agencies doing the same, and working across both the public and the private sectors.

It is not that we have not yet started the stimulation of demand. Rather, we will not have enough time to be able to spend all our time on that until the bank is launched, and we are already dealing with some opportunities.

Further, development banks tend to be counter-cyclical. We are looking at a downturn at the moment. Post-Covid, I think that the demand for our services will be even greater than it might have been in a different cycle. Therefore although demand stimulation is required, it is not completely dormant at the moment.

**Rhoda Grant:** The Scottish Government often cites the bank as being one of the routes out of Covid that will help our economy to bounce back. How long will it take from the bank's coming into being for it to run at full tilt?

**Eilidh Mactaggart:** If by that you mean actually making investments, we have some in the pipeline, which we hope will come through in the coming months. Willie Watt and I are both bankers by trade, so we know that investments are incredibly fickle as regards the dates on which they are done. Covid has delayed a lot of the projects that we were considering, so there has been a slight dampening there.

I expect there to be a progressive build. We will also need to walk before we can run, as we build up our team. We will not be able to run at full speed on day 1, but I expect to see us making some investments in this financial year and then increasing that, year on year, in a gradual, measured way.

We must ensure that any investments that we make are considered and structured properly. As I touched on earlier, because the bank is a development bank, the investments that it makes will involve more hard work and require a lot of time to pull together. In the private sector banking world, a banker might have a packaged-up investment hit their desk and be able to invest within a couple of months. However, it might take us up to six months to take an investment from the stage of an idea to actual financial close. We will build gradually, and we already have some stuff in the pipeline.

**Willie Watt:** One of the differences between a mission-based bank and a development bank that is perhaps all about demand stimulation is that, once we have our team in place, we will seek out the right kinds of investments to meet our missions. In our world, that is called origination.

By the middle of next year we would expect to have in place a fully functioning team of people who are capable of originating investments across the whole spectrum of our missions. They will go out into communities and talk to people. Eilidh Mactaggart has a good phrase on that. She wants to go and talk to banks not about the investments that they are making but about those that they are not, because it is in those that we will find the things that we need to do.

Apart from the factors that we have already discussed, one of the key milestones in the build process will be hiring our team and getting it in place. We have made a lot of progress on that since we last gave evidence to the committee in June or July. However, until the team is in place it will be hard to be as proactive as we would like to be on origination.

**Rhoda Grant:** So it might be summer next year before you see that happen.

**Eilidh Mactaggart:** I would like to think that we will make some investments in this financial year.

**Willie Watt:** Of course. However, I think that the question was about when we might be fully up and running. I hope that the committee will not hold me to the exact date of next summer—although that is not really a date, so perhaps we will be all right.

**John Mason:** I will continue on Rhoda Grant's line of questioning about demand stimulation. Mr Watt, you said earlier that you feel that, among management in Scotland, there is often a lack of confidence about growing a business beyond a certain level. I wonder how the two things tie together—demand stimulation and the lack of confidence. I presume that that means that there are some organisations out there that need your investment but are not aware of it yet.

**Willie Watt:** Yes—that is quite possible. One of the things that we will need to do, once we have launched, is make sure that everyone is aware of what we are about and what we can do. We will expend a lot of our effort on increasing awareness.

On demand, certain other factors are at play that were not there before. Fundamentally strong companies are coming out of the coronavirus crisis with solid business plans but, potentially, a lack of financial support. We do not know exactly how much banks will have to rein back what they can lend because they have to make provisions against losses, which will have a direct impact on what they will be able to continue to lend. We also do not know what private equity and angel investors are going to be able to do. However, it is a reasonable working assumption that, if there was latent demand before, there is going to be more demand.

I think that it is right to stimulate demand. As the Logan report said, we do not have enough early-stage, technology-based companies, so demand stimulation is right and proper, but there is also increased demand because the supply of capital may have shrunk. We are going to be involved in both of those aspects.

**John Mason:** I think that that was the experience the last time, in 2008, 2009 and 2010. Good businesses could not get finance because its availability had shrunk.

**Willie Watt:** Yes.

**John Mason:** I understand that the British Business Bank has a specific demand development unit. Is that the direction of your thinking? Ms Mactaggart said that demand would come from a range of places.

**Eilidh Mactaggart:** No good investment bank, whether it is in the public or the private sector, will be able to stimulate demand by itself. All investment banks are part of an ecosystem. As Willie Watt said, we will be hiring a team of people that I call originators, who will originate deals and investment opportunities.

We will work closely with industry, Government and businesses to ensure that everybody knows that we are here and understands what we can do and what sort of investments we are looking to make in demand stimulation. Others will, potentially, refer business to us for investment. I will always say to my origination team, "You can't close the door on an idea—it might not be the right idea from the person this time, but the next time they might have a good idea." It is important that we have a very open and approachable unit.

I would normally embed a demand stimulation team within the origination team, and that is certainly where we will start. We will always look to

others to see whether they have better ideas on how to continually improve things, but the demand stimulation team will initially be in the origination team. We are also going to have a partnerships and engagement team that will focus on speaking to everybody that we need to speak to.

**Willie Watt:** Scottish Enterprise has demand stimulation at the centre of its remit, and we need to work in partnership with it. It is a deeply resourced organisation that focuses on, if you like, bottom-up demand stimulation. It is important that we work closely with it so that there is a seamlessness around support for enterprise that starts with small grants at one end and has scale-up capital of many millions of pounds at the other end. It is important that there is that seamlessness and that we work well with Scottish Enterprise.

12:00

**John Mason:** If a small business was thinking of selling up, might Scottish Enterprise, Highlands and Islands Enterprise or South of Scotland Enterprise persuade it not to, but to come to you instead?

**Willie Watt:** South of Scotland Enterprise is obviously in its own start-up mode, but Scottish Enterprise and HIE have networks of relationships and it would be a complete waste if those relationships were not linked together. Nonetheless, as Eilidh Mactaggart said, we also intend to create our own relationships over time. Of course, as we keep saying, we need to get up and running to do that.

If a technology business was thinking of selling up, we would ask, "Why are you doing that? What are your motivators? Is there another way that you could take this to the next stage? Could we help you to do that?" Those are the sort of questions that we would ask. We would ask whether a lack of finance was part of the equation or whether it was more about a lack of uniquely skilled people who are only available in Silicon Valley, Berlin or wherever. That is the kind of dialogue that we would want to be part of, if we could be. We are working on something at the moment that involves exactly that situation. We were introduced to a business by Scottish Enterprise—we are in quite an exciting dialogue with it—and the issue is a mixture of those things.

**John Mason:** I will touch on one other subject. The rate of return was mentioned earlier, and you explained how the mission and the rate of return relate to each other. Is there a target rate of return, or will there be one?

**Willie Watt:** Eilidh and I believe that the bank should have a target rate of return but that it should be calculated on a long-term basis. As she said, it may take a period of time for returns to

manifest themselves, and we will be making riskier investments than the private sector—otherwise, why do we exist?

We need to think carefully about the target rate of return. It is important, because returns need to be related to the cost of capital. Our capital is provided by the Government, but it is still real money, so comparing returns on that money with a recognised cost of capital calculation is important. As Eilidh said, the bank needs to be self-sustaining. We need to create positive returns that we can then reinvest, but we cannot be self-sustaining unless we make positive returns. We need to take into account the time horizon and the risk-return profile before we set the target rate.

The Scottish National Investment Bank Act 2020 makes it clear that it is for ministers to set the target rate of return, but the bank's board will have the technical expertise to make a clear judgment on such things. We will be in discussion with ministers about the target rate of return, but—yes—we believe that we should have one and that it should be measured on a long-term basis.

**John Mason:** I am sure that we all agree that it should be set for the long term; we politicians are all very patient, as you know. The British Business Bank has a target rate of return of 2.5 per cent but it achieved 4 per cent in a recent year. I understand that the Development Bank of Wales does not have a target rate of return and that the Scottish Investment Bank achieved a 0.7 per cent return. Can you give us an indication of what range you would be thinking about?

**Willie Watt:** The actual returns that an organisation that is setting a long-term rate of return makes will fluctuate around that rate. I am not surprised that the British Business Bank returns might be higher than its long-term average—

**John Mason:** Yes, it has had a good year, but it might not have a good year every year.

**Willie Watt:** We need to do some work on that, but we are certainly talking about a single-digit rate of return. I do not want to be specific, because we have not done that work, but it will be in the same ballpark as the rates of the other institutions that you mentioned. It has to be a positive rate of return, and it has to be achievable over the long term. It also needs to take into account the risk reward. We really need to do some work on that.

One of the issues that we have is that we have no track record of having made any investments. On the basis of our professional experience, we believe that we can find mission-based investments that will give us positive returns. We will be looking at equity investments over a five-year to 10-year time horizon and, potentially, at

project finance investments over a 25-year to 35-year time horizon.

We will need to pull together all our knowledge and use the people we are bringing on to the board, who are also very experienced in the area, to come up with something that we think makes sense. As I have said, the guidance that I have given you is our gut feeling about where we think the rate should be.

**John Mason:** That is helpful. What is the timescale for that? When do you think we will have a rate of return?

**Willie Watt:** As I said, under the legislation, the rate of return is set at the behest of the Scottish ministers, but I do not see any reason why we could not set a long-term rate of return in the first year of the bank's existence. We need to make sure that we have got it right, but it will be a long-term rate of return, which is a useful tool for us in managing the bank, because it makes sense to have a target rate of return. It needs to be set at the right level so that we do not mitigate what we are trying to do with the mission. The Scottish people deserve to know that the bank is serious about its mission.

Personally, I think that we would be able to recommend something to the ministers within the first year, and the ministers would then need to pick that up.

**The Convener:** I want to pick up on that last point. How do the rate of return, investment and historically low interest rates fit together? Some might question what a return is in the current circumstances if they carry on or if we end up with negative interest rates.

**Willie Watt:** The cost of capital is at an historic low, as you say, and it has a direct relationship with the long-term returns that can be generated. We would be looking to make returns over and above the cost of capital, but, because that is so low, it has informed the returns that your colleague John Mason mentioned coming from other development banks. They are in the ballpark that they are in partly because of where debt-based returns are.

**The Convener:** Is that partly because of where they started from? You are starting at the current rate of returns, but some of those banks started years ago.

**Willie Watt:** I guess that you would expect any institution to review its rate of return in the light of experience. I do not know the history of the British Business Bank, but I imagine that it sets a long-term rate of return and then reviews it either annually or every two to three years in the light of changing interest rates.

Interest rates have never been as low as they are now, but they have been significantly low for a long time, and deposit rates have been almost zero for a considerable length of time. It is not new that we are in a low-interest-rate environment; it is new that it is as low as it is post-Covid. However, you are right to say that the interest rate regime is relevant to the long-term rate that is achievable.

**The Convener:** There are no further questions from the committee members, but, before I close the meeting, I want the witnesses to do a brief summing up, because I did not afford them that opportunity at the outset. You might feel that all the issues you wanted to cover have been covered; otherwise, the floor is yours.

**Willie Watt:** Thank you, convener. I thank the committee for inviting us to give evidence today. We look forward to creating a relationship with the committee over time, and I am sure that we will be back to speak to you on a number of occasions in the future.

Since we last met, in July, we have made significant progress with the launch work that we are doing. As I said, the team is working incredibly hard towards the launch. The committee has raised the right issues. They are things that we think about ourselves during our day jobs, and we are working as hard as we can to get the development bank up and running.

**Eilidh Mactaggart:** We are focused on launching the bank in the final quarter of the year.

**The Convener:** Thank you to both of you.

12:12

*Meeting continued in private until 13:08.*





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