



OFFICIAL REPORT
AITHISG OIFIGEIL

Economy, Energy and Fair Work Committee

Tuesday 22 September 2020

Session 5



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ECONOMY, ENERGY AND FAIR WORK COMMITTEE

29th 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:

Douglas Colquhoun (Scottish Enterprise)

Anthony Daye (South of Scotland Enterprise)

Nick Halfhide (South of Scotland Enterprise)

Fiona Hyslop (Cabinet Secretary for Economy, Fair Work and Culture)

Nick Kenton (Highlands and Islands Enterprise)

Hugh Lightbody (Convention of Scottish Local Authorities)

Jane Martin (Scottish Enterprise)

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

Kevin Quinlan (Scottish Government)

Richard Rollison (Scottish Government)

Sarah Watters (Convention of Scottish Local Authorities)

Charlotte Wright (Highlands and Islands Enterprise)

CLERK TO THE COMMITTEE

Alison Walker

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Economy, Energy and Fair Work Committee

Tuesday 22 September 2020

[The Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Convener (Gordon Lindhurst): Good morning and welcome to the 29th meeting in 2020 of the Economy, Energy and Fair Work Committee. I have received apologies from Gordon MacDonald, and I welcome John Mason, who is attending as his substitute.

Under agenda item 1, the committee is invited to decide whether to take items 4 and 5 in private. Does the committee agree to do so?

Members indicated agreement.

Pre-budget Scrutiny 2021-22

09:30

The Convener: Agenda item 2 is pre-budget scrutiny for 2021-22 and consideration of the impact of Covid-19 on businesses, workers and the economy. For our first session, we have eight witnesses. From Scottish Enterprise, we have Jane Martin, who is the managing director of business services and advice—Jane might join us via a sound link, rather than a videolink—and Douglas Colquhoun, who is the chief financial officer; from Highlands and Islands Enterprise, we have Charlotte Wright, who is the chief executive, and Nick Kenton, who is the director of finance and corporate services; from South of Scotland Enterprise, we have Nick Halfhide, who is the interim chief executive officer, and Anthony Daye, who is the financial director; and from the Convention of Scottish Local Authorities, we have Hugh Lightbody, who is the chief officer of the Business Gateway national unit, and Sarah Watters, who is the chief officer for local government finance.

We will start with brief opening statements from the four bodies represented, beginning with Jane Martin.

Jane Martin (Scottish Enterprise): The key thing that I want to say is that, countless times over the years, the economic development system has come together to react to crises. It is often said that that is when we are at our very best. However, we have been used to doing that for individual businesses or for a specific sector. What we have faced over the past six months has been constant and relentless, and has had an impact across the whole economy. Although there is loads that we can learn and a lot that we can improve on, I think that the system as a whole has shown that it can deliver.

The pandemic has tested us all and it has not been easy for any of us, not least for a lot of our staff, because of the sheer quantum of work that has had to be delivered to a very short timescale. The level of distress among—*[Inaudible.]*—from the very difficult conversations that people have had to have regularly. However, we have been able to deliver. Within a few months, we have been able to put out more than double the grant moneys that we would normally put out in a year, and that has all been done remotely. We have assessed probably four times as many applications as we would do in a year within a few weeks, and we have been dealing with 20 times—*[Inaudible.]*—inquiry from businesses across the whole landscape, in light of—*[Inaudible.]*—the public sector.

It is good to see everybody here today. The partnerships that we have been building over recent years have really helped. We have a very strong element of trust and established relationships—[Inaudible.]—development sector, which has allowed us to move—[Inaudible.]—quickly. We have definitely—[Inaudible.]—as an organisation in—[Inaudible.] The work that we have done around data sharing—[Inaudible.]—grunt work at the moment. We have—[Inaudible.]

We want to take what we have done to date and build on that momentum, because it is clear that the situation is going to continue to require us to flex and adapt to deliver over the coming months. I look forward to—[Inaudible.] Thanks very much.

The Convener: Thank you. We are working on the sound quality as we go. I now ask Charlotte Wright to make a brief statement.

Charlotte Wright (Highlands and Islands Enterprise): I want to give a flavour of the impact of Covid in the Highlands and Islands. Compared with the country as a whole, we have a greater share of employment in the sectors that have been most affected by the pandemic, including tourism and the creative industries, and a higher proportion of self-employment and microbusinesses. Unfortunately, that means that the economic impact of Covid on our region has been disproportionately severe. Figures for up to the end of June show that around 72,000 people had been furloughed, regional unemployment had more than doubled to 5.7 per cent, and of particular concern is that youth unemployment was higher still at just under 10 per cent—those are numbers that we have not seen for a considerable time. Overall gross domestic product in the region is estimated to have decreased during the year by between £1.5 billion and £2.6 billion, which is obviously severe in a region of just under 500,000 people.

Our staff have been fully engaged in responding to the challenge, using digital communication, which allowed us to switch from office space to home working overnight. As soon as lockdown came into force, we prioritised engagement with businesses and communities to better understand their challenges, offer our support and signpost people. That engagement has continued to be a key activity over the summer, in the form of a series of in-depth discussions with key clients, business organisations and sectoral groups. We also gather real-time intelligence through our online business panel, which has provided us with really important information—[Inaudible.]—regularly over 1,000 members.

Online services, such as findbusinesssupport.gov.scot, have been a vital resource for business, and we have been able to use online services to run things, such as events

to support the business community across the region. A great example of that is XpoNorth, Scotland's largest creative industries conference. It is usually held in Inverness over two days in July. Rather than cancel that, we made it a virtual event. Between the live participation on the days of the conference and further streaming, the number of participants was 6,000, which is more than three times the number that we would have got in person. We had excellent feedback, and participants expressed a desire for us to use the same sort of approach in future.

Jane Martin touched on the pivotal enterprise resilience fund and the hardship fund for creative, tourism and hospitality industry businesses. It was a significant task to distribute more than £25 million to more than 800 businesses in our region. At the same time, we were managing the Government's supporting communities fund, working with local anchor organisations to award 205 grants amounting to more than £4 million to support resilience and tackle hardship in communities throughout the region. I want to emphasise how important it was that we used our existing powers as a safety net for those who were unable to access any of the specific Covid-targeted grants, to ensure that viable businesses got support through any means possible.

In collaboration with local and national partners, our focus now is to move from the response phase into the recovery phase. We are mindful that we will be living with Covid for some time, as was clear from this morning's news.

Brexit is also a significant change for most of our clients. Therefore, our top priorities are retaining and creating jobs, and we will be organising all our resources to support the key sectors in the region's economy, which depend on those jobs. Those sectors, which include tourism and food and drink, have been among the hardest hit. We also continue to focus on the key geographical areas where there has been a severe impact, including the islands and remote mainland areas. However, we are looking at new opportunities, such as growing a space sector, life sciences, renewable energy and the marine economy. Those are fields where our region has a natural place-based advantage and which can contribute to our regional growth and make a significant contribution to Scotland.

To conclude, it is vital that we continue to work in partnership, locally and nationally, and that we remain proactive in identifying opportunities and maintaining our strong place-based approach, where investments are focused on sustainable growth.

The Convener: Thank you. Nick Halfhide is next.

Nick Halfhide (South of Scotland Enterprise):

Good morning. South of Scotland Enterprise came into being during the pandemic. We assumed our legal powers on 1 April, only a few days after lockdown. We immediately focused our nascent organisational capacity on enabling businesses to access Covid-19 support. As well as providing advice and, crucially, reassurance, we were able to bring funding of more than £12 million to almost 300 businesses, in addition to the £75 million that was provided through the two local authorities. Many of those businesses would not have survived without that and other public support.

At a local level, we worked through team south of Scotland, with other organisations in the south—Scottish Borders Council, Dumfries and Galloway Council, Skills Development Scotland and VisitScotland, in particular—to deliver an aligned approach. Nationally, we were welcomed into the enterprise agency family, and we have worked closely with colleagues to share expertise and to bring the perspectives of rural south of Scotland to those who shaped the national response, ensuring that the support that was designed met the needs of the whole of Scotland.

We have also supported businesses to find new opportunities. For example, Alpha Solway in Annan secured a £50 million contract to manufacture personal protective equipment for the national health service, creating more than 200 jobs in the area, and Scotmas in Kelso has been producing high-level disinfectants, which enabled the company to take on 10 modern apprentices locally.

As well as dealing with the immediate impacts of Covid-19 on businesses and communities in the south of Scotland, we have continued to build our new organisation and to look to the future. We have grown from 24 staff on 1 April to 63, and we have used that increased capacity to make early investment decisions that look to future recovery, seeking to create and sustain jobs, as well as helping back into work those who have lost their jobs. Those investments have included investing £2.7 million over five years to develop the South of Scotland Destination Alliance; investing more than £1 million to support innovative manufacturing; and investing up to £1 million to support the Langholm initiative in its acquisition of Langholm moor, which could be the biggest community land purchase in the south of Scotland. On 4 September, we published our operating plan, which sets out the progress that we have made to establish the organisation and our ambition for the rest of the financial year.

To drive forward our collective ambitions for the south, the new regional economic partnership met for the first time last Friday. It is supported by weekly meetings of senior officials from the key

local public bodies. Those groups will ensure an effective and flexible economic response to the continuing challenges of Covid-19 and the uncertainties about future international trade deals.

The Convener: Thank you. The final opening statement comes from Hugh Lightbody.

Hugh Lightbody (Convention of Scottish Local Authorities):

Good morning, everyone. Responding to the health crisis and the subsequent economic crisis has been a central focus of local government activity. Throughout that period, we have been focused on the health, safety and wellbeing of our employees and our citizens. Despite the challenges, we have continued to deliver vital services to vulnerable people, communities and businesses across Scotland.

Economic recovery, as well as needing to be place based, requires a whole-system response, and local government is uniquely placed to be involved in that. We have played a pivotal role in ensuring that Scottish Government funding for businesses has been delivered quickly and effectively. By 8 September, councils had received and processed more than 100,000 grant applications for the small business grant, more than 90,000 applications had been approved, and funding of more than £1 billion had been awarded.

Our Business Gateway service has been at the forefront of our support. Many of our services were based on face-to-face support, but we pivoted quickly to delivering those digitally and online. In the first quarter of this financial year, the service handled more than 6,000 inquiries from established businesses, which is more than double the number for the same period in 2019. The number of people attending webinars in that period more than doubled on the previous year, to 10,800.

Local government also plays a pivotal role in supporting people and communities through its long-standing work in leading local employability services. Through a formal no-one-left-behind partnership agreement with the Scottish Government, those services are increasingly targeted at those who need the greatest support to get them into fair work. Local services are dependent on funding from the Scottish Government and core local government resource. Local government is preparing to flex its approach to support those young people who are leaving school and college and whose prospects are blighted by the pandemic. In doing that, we have a major role in delivering the Scottish Government's youth guarantee, and we are specifically focusing support on low-income families to mitigate the severe risk of rising child poverty.

As I mentioned earlier, local government has continued to deliver vital services, but that has come at a cost. With reductions in income from a range of sources and increased expenditure to respond to the crisis, councils will face a funding gap this year of around £350 million, once all consequential have been factored in. Many councils were starting from a deficit position, so if the Covid-related gap cannot be addressed, ultimately, there will need to be further reductions in services. That issue has been covered in our submissions to the Finance and Constitution Committee and the Local Government and Communities Committee.

09:45

The Convener: Thank you. We now come to questions from committee members, starting with the deputy convener, Willie Coffey, who joins us remotely.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Good morning. My opening question covers some of the territory that the witnesses spoke about in their introductions; it is about how you have had to adapt and evolve your activities, often at pace and at scale, in response to the health emergency.

Charlotte Wright, you gave some good examples of what you had to do. I am particularly interested in the XpoNorth virtual sessions—I think that you said that you ended up having 6,000 attendees, which was double what you might have otherwise expected.

Can the witnesses give us a flavour of some of the activities that have had to be forsaken during this period, and of the impact that that has had on delivery plans?

Charlotte Wright: I will follow that up. We talked about the focus that we had on delivery to clients through the funds and the importance of engagement. You asked about what has been forsaken. XpoNorth is an example of the fact that a lot of our activity on engagement and events has been difficult, and we have had to decide whether to shift things online. XpoNorth is a good example of how we have extended the reach, through the live event itself and, because it was recorded, through people continuing to access and use it.

With regard to trying to do business as usual, I highlight that we have been watching for slippage on existing projects, because clients might be feeling a bit risk-averse about taking forward some of their projects, either at the planned scale or with the same timing as planned. We have had to scale back some of our programme level activity, which has allowed us to have a focus on responding to the immediate crisis and the work of distributing funds, which were clearly necessary for

businesses and represented a massive lifeline to the sector. We have had amazing feedback from businesses, particularly in tourism, which, at the start of the pandemic, felt desperate about how the situation might unfold. Since the relaxation of lockdown in July, we have seen activity ramp up, which has meant that there has been a lot more interest in continuing to progress projects as originally committed to by our clients.

Overall, it has been a question of timing, ensuring that we can flex and respond to the client's immediate need—whether that is about cash flow or information and advice—and that we can pull back from activities that we might have been pushing towards clients around leadership and other areas.

Willie Coffey: Thanks. I can see that Jane Martin wants to contribute. Jane, can you hear us?

Jane Martin: Yes, I can. Can you hear me?

Willie Coffey: We cannot really hear you.

Jane Martin: Oh my goodness. Can you hear me now?

Willie Coffey: That is a little bit better.

Jane Martin: I apologise. In terms of—*[Inaudible.]*—Scottish Enterprise has approached things in a similar way to Highlands and Islands Enterprise. A lot of the programme activities, where we might have pushed things on to customers and raised awareness of things such as exporting and the importance of innovation, went on the back burner initially, and we invested a lot of time on outreach—we were wrapping around our business customers and understanding their immediate needs.

In the first stages, a lot of our effort went into information sharing, ensuring that we had enough people working on our helpline—because the number of calls went through the roof—and ensuring that we had adequate resources for findbusinesssupport.gov.scot, which is the entry portal that quickly became the go-to place to get information about the pandemic and advice for businesses about what support was available. For that site in particular, we saw huge traffic, with more than 1.8 million views over the early weeks and months of the pandemic. The work that we had done in advance on putting that in place has really paid off.

You asked about webinars. Like HIE, we have run a number of webinars. We have done webinars—*[Inaudible.]*—workplaces. We have worked with manufacturing companies on that, for example. We have done quite a lot of work on workplace innovation, including on how businesses should engage their employees virtually, and skills and techniques for that. In a different—

The Convener: I am sorry, Jane. I will stop you there, because we are having some difficulty making out what you are saying, as a result of technical issues with the sound. I wonder whether we could come back to you. We will see whether we can do something about the sound.

Jane Martin: Of course.

The Convener: Thanks. I am sorry about that but, unfortunately, we could not make out what you were saying. I will hand back to Willie Coffey, and we will see whether we can do something about the sound.

Willie Coffey: Thanks, convener. I could hear some of what Jane was saying, but it was really difficult.

Nick Halfhide wanted to make a contribution. Could you come in, please, Nick?

Nick Halfhide: Absolutely. Our situation in the south was somewhat different, as we were new. In our dealings with businesses and communities, the money that was available from Government was hugely important, but perhaps as important was the personal contact. What people found really valuable was having someone who would ring them and talk through their situation, because the psychological challenge of suddenly moving from one economic situation to being closed down was considerable. One thing that we were able to offer with our relatively small number of staff was a friendly voice at the end of the phone to talk through problems and to see what we could do to help, which might have been through one of the funds or might simply have involved signposting them somewhere else, but then giving them a call back just to check in on them. That personal touch was really important, and I think that it will continue to be important as we move through the next six months.

Willie Coffey: The message that I have been picking up from all of you is how important the digital side of everything has been, and you have given some impressive examples. Will the exploitation of digital technology grow and develop, rather than our going back to whatever normal was before the pandemic? Do you see advantages of engaging through digital technology that were perhaps not immediately obvious to us before the pandemic?

Nick, as you are still on camera, what do you think?

Nick Halfhide: Absolutely—digital technology is really important. The companies and communities that were already strong on that managed the shift quite quickly when the current situation arose. For those that were not strong on that, we and others have been giving a lot of support to enable them to make the shift. However, I sound one note of

caution: digital technology is fantastic, but the human touch is equally important. Digital technology is needed where it is really strong and provides benefits such as reaching new customers but, in our experience, many companies and communities need people to talk to, because that is just as important to them.

Douglas Colquhoun (Scottish Enterprise): To reiterate what Nick Halfhide said, we invested during the course of last year, and we continue to invest in digital solutions for the delivery of our services. Those have been at the forefront of allowing us, collectively, to deliver the pivotal enterprise resilience fund and the hardship fund during the early part of the Covid crisis. Like many organisations, we went almost overnight to our full workforce working from home and outwith offices. The technology has worked well for us and has allowed us to continue the engagement with partners and our business base. Therefore, I do not see us going back to the old normal. We will continue with the digital transformation journey over the next year or so.

Charlotte Wright: The level of acceptance by clients of the need to use digital technology has accelerated considerably, and our plans for doing more through digital means have progressed more quickly. We have spoken a few times about the importance of engagement and communication with businesses and communities. For the Highlands and Islands region, which covers half of the land mass of Scotland, getting that reach is sometimes hard. One benefit at the moment is that I can be in Shetland and in Argyll on the same day, talking to clients, which I could not easily do previously. We are thinking about expanding the base of customers who we work with, accepting that more transactions will take place online rather than in person.

Hugh Lightbody: As I said in my opening statement, we had to pivot to delivering everything that we do online and digitally. That meant a substantial increase in the number of people who were able to access the services, which more than doubled. It was interesting that the number of events increased by only about 12 per cent in the first quarter, but, as I said, there was a massive increase in the number of people who were able to access those events. It was interesting that we saw growth in attendance at events that we deliver on growth support, but also particularly at events on digital support. Businesses were seeing the need to be online and more digitally oriented.

We have been delivering the digital boost programme, in partnership with Scottish Government, for more than four years. That is built on the Government's digital strategy for Scotland and the need for small and medium-sized enterprises in Scotland to be more digitally savvy.

Over that time, it has become apparent that businesses have increasingly seen the need to be more digitally active.

Willie Coffey: Good. That is really encouraging, everybody. Thank you for your responses.

The Convener: I think that Jane Martin might be able to summarise briefly the points that she was trying to make earlier. She is joining us using a different device, so we hope that that will work.

Jane Martin: Thank you, convener. I hope that you can hear me okay now.

The Convener: That seems to be much better.

Jane Martin: I did not hear everything that the other witnesses said in their overviews, so I hope that I am not repeating anything. In essence, I said that, in the early stages of the pandemic, Scottish Enterprise did a lot of what Charlotte Wright referred to, namely outreach and wrapping our arms around our clients and customers, understanding the immediate impact and using that intelligence to drive and prioritise our next steps.

10:00

Another critical aspect for us was getting information out quickly. We staffed up our helpline, getting volunteers from across our workforce. The number of calls went through the roof in the first few days. Just before Covid, at the start of the financial year, we had put in place findbusinesssupport.gov.scot, which is a repository and signposting service for all kinds of support. That came into its own as a central repository for all kinds of information and advice for businesses, including about the support that is available to them.

We held a number of webinars, similar to those mentioned by my colleagues. In addition to the normal subjects of exporting, manufacturing and new market opportunities, we ran webinars on workplace innovation. Many businesses were seeking advice on working remotely with their employees, and we provided a lot of information on that through webinars. We had a high uptake for those.

We accelerated our plans to create a peer-to-peer forum, which was helpful. We put that in place quite quickly to encourage businesses to interact with one another. Businesses were able to share their ideas and examples of how they had been working, work with one other and share their advice. We have 250 companies involved in that forum, and we see an opportunity to build on that.

Maurice Golden (West Scotland) (Con): How have the agencies collaborated during the pandemic? How has the pandemic changed interactions between the agencies?

Charlotte Wright: The committee has always had an interest in how we, as partners, work together. I am confident in saying that we started from a strong position with regard to our ability to collaborate and work together effectively. The key test of that, even more so during a crisis, is to have a level of trust and responsibility in sharing workload and tasks as effectively and efficiently as possible. Clearly, that has been critical in the past few months.

We have talked quite a bit about communication. On communication with one another, we found that regular purpose-driven communications—[*Inaudible.*—]—and ensuring that the messaging from the chief executives down throughout the organisations has absolutely supported that team Scotland approach. We have also ensured that there is space for a local targeted response and we have placed importance on local partnerships, such as working with councils, which has been a particular part of the effective response so far.

The work on developing the findbusinesssupport.gov.scot resource and the mission activity to support the Enterprise and Skills Strategic Board meant that, throughout the organisations, relationships at a peer-to-peer level were in place with key agency leads, so that we knew who would lead on which activities. Those relationships were already in place, and it is good to see that the strategic board has recognised the effectiveness of those partnerships. That is about listening, challenge, contributing and ensuring that we always have a feedback loop in place to learn lessons and move on quickly.

Other partners have been really important. Skills Development Scotland moved quickly with us in the Highlands and Islands to set up a new forum to improve access to local labour market information, which is vital for planning and intelligence on real-time events.

We have a good join-up with Business Gateway in the Highlands and Islands. We are co-located in several areas, which really makes a difference, even in these virtual times, so that we can agree how we are targeting key clients across our client bases. Highlands and Islands Enterprise and Business Gateway are working jointly on a new programme to provide capital support to businesses that are less than five years old, working across both our client bases. Working with the Scottish Government, there has been effective repurposing of some of the key forums that were in place, including those within the rural teams for us, and I am sure that that was the case for the south of Scotland as well. We found that linkages with the office of the chief economic adviser as well as the agencies on data have been really important.

There has been a huge amount of direct engagement with the Scottish Government. The Cabinet Secretary for Rural Economy and Tourism, Fergus Ewing, has regularly provided updates and shared intelligence. Government guidance was pretty clear, which was to focus directly on Covid mitigation. Therefore, responding to the crisis has been our first priority, before taking the next steps for restarting.

Overall, we started from a good place and, during the current period, we have learned how to collaborate even better.

Nick Halfhide: I support Charlotte Wright's comments. We have found that the pandemic has absolutely energised and focused collaboration at national and local levels. At a local level, for example, as I mentioned earlier, we continue to meet weekly with senior officials in all the agencies to see how we can share information and manage interventions. That can be as simple as saying, "We had this company on the line and they are really worried," and someone in a local authority responding, "Yes, here's the background," or, "We've already helped them with this." It is about co-ordinating and then amalgamating information and feeding it up to the Scottish Government and working with agencies.

On the two funds that we mentioned earlier—PERF and the hardship fund—we have absolutely had to come together and work closely at all levels to make those as effective as possible. One of the upsides of the pandemic—if I can say that—has been a shot in the arm for really close partnership working. With digital technology, we have been able to do that instantly, as opposed to doing a lot of travelling, as would have happened previously. Therefore, that speed of interaction has also been possible.

Hugh Lightbody: It is worth mentioning that, collaboratively and collectively, we have been working for some time on the issues that Brexit has raised. We have pivoted the group on that to look at the specific issues that we are trying to deal with on Covid-19. Sadly, with Brexit back on the agenda, the group has again rejigged itself and is now the business resilience steering group, because we recognise that we are not out of the woods on Covid-19 and we have Brexit coming at us as well. Therefore, we are working together, as we have been for some time, to ensure that we are joined up and offering the best support that we can to the business community to respond to Covid-19 and Brexit.

Maurice Golden: Has that resilience body been co-ordinating its work with other business support agencies and the Scottish Government?

Hugh Lightbody: Yes, it involves the Scottish Government, all the agencies and us, so everybody is on that body and working together.

Maurice Golden: You have spoken about how the enterprise agencies interact, but I am interested in how you might also work with other agencies in the enterprise and economic development landscape. For example, the Scottish Environment Protection Agency has a role in supporting businesses and business resilience. How do your agencies share business data or particular examples with the wider economic development landscape?

Charlotte Wright: I will give a few examples of the different partnerships and discussions that have emerged recently. For example, in the Highlands and Islands, we have had a few useful conversations about resource with the Crown Estate, which is developing its role and its approach to the wider economic position, given what it is achieving through the Crown Estate landholdings. It has recently made investments that are part of the economic development landscape. For the Highlands and Islands, given our role in marine and offshore wind technology, we are particularly keen to take those discussions to the next level and to see how the resourcing can also be part of the wider picture of the work that we do with communities.

There are other examples that might not immediately spring to mind. To be honest, they would not have sprung to my mind originally, but they have been part of the recent engagement in communications. For example, I have had a series of dialogues with Architecture and Design Scotland. It might not have been first on my list of organisations to work with generally, but we have been looking at what we do with our capital infrastructure portfolio, and it has some interesting guidance and ideas about how to ensure that we target that in the best way to meet the new needs of communities and businesses and to help us to meet the net zero carbon agenda. Some of those alliances could be really important.

I have talked to the National Lottery Heritage Fund about its support, because it has faced challenges in delivering some of the projects that it had committed to. We talked about how we can work together so that support is targeted more as revenue than as capital to support projects such as the Campbeltown Picture House in Argyll and other projects that have had great support from the heritage fund. Clearly, the picture house has been impacted by the current situation, as it has not been able to put on events and is experiencing difficulties with revenue.

My point is that we have a much wider reach to a range of third sector and other agencies, which are all part of the landscape.

Nick Halfhide: To add to what Charlotte Wright said, there is a raft of bodies that we all talk to weekly or monthly. There are the ones that Charlotte has mentioned, including the National Lottery Heritage Fund, but I could add Creative Scotland, VisitScotland and Community Land Scotland.

There are two other routes through this that are important for us. One is the regional economic partnership that I mentioned, which brings together all the public bodies and representatives from the private and third sectors to pull together our vision for the south of Scotland and how we are going to work to achieve it. Some of that is very long-term work, such as how we deal with depopulation issues, but some of it is short-term work around Covid and some of the challenges of Brexit.

The other piece of work for us is the borderlands inclusive growth deal, on which we are working closely with local authorities in the south of Scotland and those in Northumberland, Cumbria and Carlisle. That will be a major investment. It has been a bit out of sight during Covid, but it is absolutely an important area where we need to pull together the strands on how we deal with depopulation, increase digital access and work on natural capital—all those long-term drivers of green growth and green recovery.

That gives you a bit of a flavour from the south.

10:15

Douglas Colquhoun: [*Inaudible.*—some of the things that Nick Halfhide and Charlotte Wright have just said. I would cite the Covid-19 response steering group, which played a crucial role in supporting and collaborating with a range of partners, including the enterprise agencies, Skills Development Scotland, the Scottish Funding Council, local authorities, the Scottish Government, Public Health Scotland and the healthy working lives initiative. As Hugh Lightbody said, that arose out of Brexit preparations. It will pivot back to Brexit but become a joint Covid-19 and Brexit action group over the next few months.

We have been involved in a joint scenario-planning project with the Scottish Government, which is being rolled out and which involves lots of other partners and private sector organisations. In the early stages of the Covid crisis, the chief executive of Scottish Enterprise, Steve Dunlop, and others in the senior management team were involved in regular calls with the managing directors and chief operating officers of Scotland's main retail banks, to establish what they were going to do to support Scottish businesses in these unprecedented times.

Nick Halfhide and Charlotte Wright referred to the creation of the pivotal enterprise resilience fund and the hardship fund, which used specific insights at a local level from local authorities as well as the insights that VisitScotland and Creative Scotland could provide into those areas.

There has been strong collaboration. As Charlotte Wright said, we were starting from a strong position, but there was frenetic activity, particularly in the early stages. There has been a tremendous drawing together of all the partners and different bodies.

Maurice Golden: It is quite clear from the witnesses' responses that there is quite a degree of collaboration at a high level. However, I want to push either Scottish Enterprise or Highlands and Islands Enterprise on something. If you are supporting a business on your radar, do you help that business to access business support or business funding from the wider economic development landscape? Do other agencies or organisations have sight of the businesses that you are working with, so that they might be able to provide support? I am looking at how, as a nation, we can best co-ordinate the totality of business support. Does either agency have any thoughts on that? Is there a system of triage for business support in the wider landscape?

Charlotte Wright: I will give you some specifics. I think that the point behind your question is about data sharing or information sharing around businesses. It is clear that there has to be a set of protocols for that, and that is probably most developed between us and Business Gateway. I might have mentioned that, in some of our areas in the Highlands and Islands, we are co-located with Business Gateway, and those locations are embedded in the local economy. Therefore, we are more effective in our information sharing and in our ability to prioritise and to be clear about who does what or how we might pass clients from one to the other.

On collaboration across the wider economic development landscape, that is more about signposting than sharing information about clients, which, as I said, would require a set of protocols. Douglas Colquhoun referred to conversations with the banks. Previously, we have tried to set up data sharing with banks. We ran into some difficulties with that, but we find that, if a client is agreeable and we can have a three-way conversation involving us, a client and a bank or another lender, that can often unlock a tricky investment. As long as the right protocol is in place when it comes down to a level of detail, we can do that.

However, signposting is a key part of our role, and the findbusinesssupport.gov.scot website is a key resource in that. We want that process to be as seamless as possible so that, if somebody

comes to us and we cannot help or cannot help them entirely, we can bring to the table, as much as we can, all the other partners who we think could get a project, business or community to realise that ambition successfully.

Hugh Lightbody: I was interested to hear Maurice Golden use the word “triage”. The Business Gateway service is a triage service—that is its principal role. That is what our boys and girls do on the ground. If we are able to help people directly, we will do that, and if we know of other support that would benefit them, we will point them to that. Therefore, we work in close partnership with the agencies. For example, we are a channel partner on innovation support and on internationalisation. We do not necessarily deliver those services ourselves—Scottish Enterprise in particular delivers them—but we will make sure that clients are signposted or referred to those services.

We work in close partnership with Interface, for example, and we work closely with Scottish EDGE, as do our agency colleagues, on making that work really well. We also work with Creative Scotland.

It was interesting that Maurice Golden mentioned SEPA. The Scottish sustainable business partnership, which involves SEPA, us and the enterprise agencies, clearly has a particular focus on sustainable business practices. SEPA is there and engaged.

It is a big family—we know one another, we know what everybody does, and we all do our best to ensure that the client gets the best service possible from all the different airts and pairs that come together, to address whatever their particular need is at the time.

Maurice Golden: Thank you, Hugh. That is incredibly helpful.

Jane Martin: To add to what my colleagues have said, the idea of a no-wrong-door approach is fundamental to the collaborative work that we have been doing as a partnership. Hugh Lightbody is absolutely right that Business Gateway provides a great triage service, but we are looking to work together to ensure that, no matter where a business enters the system, we are able to triage its needs, direct it to the right part of the system, and bring to bear lots of different parts of the public sector in order to meet its needs, rather than its being referred on and signposted. We want to take that work deeper and to make it much more effective.

When we launched the findbusinesssupport.gov.scot signposting service, we launched a kind of helpline alongside it—we expanded the role of our inquiry fulfilment service in Clydebank. There are now about 45 different

partner offers available through that website, but also on the phone, so that, with a bit of interrogation and conversation, we are able to refer people to the right part of the system.

However, it is still relatively early days. We are all up for improving and continuing to build on that, including, for example, by having shared customer data records—a shared data repository—and ensuring that our processes make the system work more flexibly. That means that businesses will not need to tell us the same thing multiple times and that we will understand, at the touch of a button, what others are doing and how we can get behind that. There is a huge amount of work still to be done on that, but we have come a long way over the past couple of years.

Finally, HIE and South of Scotland Enterprise are fundamental to the work that Scottish Enterprise has been doing on regional partnerships, in accelerating and adding momentum to the work that we are doing with local government at the regional level, which will also help to ensure that that works from a place perspective. We are in the mix with all other partners on the ground, adding value and delivering appropriately for different parts of Scotland. That work will add a huge amount of value by ensuring that we get the right support to meet the needs of businesses at the right time.

Maurice Golden: In response to an earlier question, Nick Halfhide mentioned city deals. Have any of the other witnesses been involved in them? How are city deals complementing your activities? I would appreciate short, sharp answers, if possible.

Charlotte Wright: In the Highlands and Islands, the new growth deal that has been running is the Inverness city deal. It has had a really good partnership approach in which partners have led on particular strands of activity.

Our areas of activity have been around the science skills academy, which does what it says on the tin; the northern innovation hub, which involves projects around small businesses, emerging technologies and entrepreneurs; and the life sciences innovation centre. I mention those because we have ensured that they have become more focused towards the challenges of the pandemic. We have seen great examples of collaboration in life sciences innovation. One of my colleagues referred to something similar earlier. In this case, our life sciences companies worked together to provide face visors.

The other deals in the Highlands and Islands, in Moray, Argyll and Bute, and the islands deal are at earlier stages. Our role has been to work with them to develop the outline business case. The advantage, to a degree, is that we can now

position that within what we now understand to be the greatest economic challenge that we have ever faced and use that resource and the partnership approach to deal with that.

The Convener: I am sorry to interject, but we are probably a bit pressed for time so, if others have something to say on that point, perhaps they could simply write to the committee. Several other members want to ask questions, so I would like to move on to questions from Rhoda Grant.

Rhoda Grant (Highlands and Islands) (Lab): Thank you, convener. A number of the submissions to the committee refer to the need for a regional, place-based approach to economic development. People feel that the current system is a bit too top-down. Do you agree with that? If so, how are you meeting that need regionally?

Hugh Lightbody: Being place based is a central part of local government's proposition through the recovery process that is under way. It is a central part of what we are talking about. Local government already delivers at a place-based level. As I said in my opening statement, we believe that that is the right approach.

Jane Martin and others have touched on the regional economic partnerships. We are very involved in those, and we believe that the support and the delivery need to happen at that local level. As I said earlier, it is a whole-system approach. Business support is not the only piece of the puzzle that needs to be in place. There is the wider regulatory support from, for example, environmental health, trading standards, planning and education. All those things come together, which is why local government's proposition is that being place based is the way to go, but it is a whole-system approach. That is what we have been pitching as part of the process of economic recovery and working with partners to look at how best we can make that happen.

Charlotte Wright: Rhoda Grant will be aware that, in the Highlands and Islands, working on a local basis has always absolutely been part of our DNA. Being community based is the way that economic development really works for the Highlands and Islands. Our own distributed organisation and the way that we work support that.

On how forums work, we have discussed the question of a regional economic partnership with the Scottish Government. We need to be clear what that would add to already fairly robust community planning partnerships and economic partnerships, which are focused on those areas. The strategic forum, which is a convention of the Highlands and Islands that brings together central Government and local government, has always

been valued very much by us across the Highlands and Islands.

10:30

There are other very specific things that work really well. For example, there is the Caithness and North Sutherland Regeneration Partnership, which has been working for a number of years to address the potential impact on the travel-to-work area around the Dounreay nuclear facility, as it moves towards complete decommissioning. That has been very successful in bringing partners to the table—including the Crown Estate, which I mentioned earlier, and the Nuclear Decommissioning Authority, which has a very pertinent role in those circumstances—to deal with what could be a real challenge to a community that relies on the highly paid and very highly skilled jobs that are currently available in Dounreay, for example. However, you probably know quite well how we work with that place-based approach.

Nick Halfhide: I will add a couple of points. Earlier, I mentioned our regional economic partnership, which works across Dumfries and Galloway and the Scottish Borders, and the way in which we are taking that forward, following our first substantive meeting last week. At the regional level, we have the start of a very strong and growing partnership.

However, the other point to make is that, when we talk about a place-based approach, we also need to look much lower down than that. In the sparsely populated area of the south of Scotland, our approach is to look at each community on its own and consider the collective needs of businesses, communities and the third sector within that space. I mentioned Langholm at the start of the meeting. We are working with that whole community to work out what the businesses and the community there need, and looking at that place. A number of folk who live in Langholm work in Cumbria, so we have to take that into account. In working with Stranraer, we need to work with County Antrim as much as with other parts of the south of Scotland. In Eyemouth and Berwickshire, we are engaging with north Northumberland, because people who live and work in those areas consider it to be part of where they live. Therefore, there is a multilayered approach.

Jane Martin: Because Scottish Enterprise is a national agency, we see an opportunity to work in different ways. It is important that the economic development system works well locally, regionally and nationally and that it also takes account of international opportunities, the advantages that Scotland has had, and the opportunities for growth across Scotland as a result of those. Therefore, we are an active partner across several regional

economic partnerships. We participate on boards, working groups and so on. We bring a lot of economic insight to the mix, and we bring to bear international reach and insights in those conversations. We also do a lot to enable strategic assets in locations across different geographies. Longannet in Fife is a good example of that. Bringing in an international investor such as Talgo, which manufactures lightweight electric trains, fits with Scotland's low-carbon ambitions. That also makes the most of an asset, and it might bring 1,000 jobs to that part of Scotland. That is a good example of a place-based approach and international advantage working well together.

As an organisation, we need to be able to bring in expertise but also to flex it, and we have been working on that for several months. We recognise that a one-size-fits-all approach is not appropriate. When it comes to business support, we want to use our expertise but be able to flex that in flowing behind what might be happening locally and regionally. We want to work very differently with local government and other partners to think about what the business base needs from us across a certain community or a certain part of Scotland and what resources we can bring to bear, so that we create a collective plan of action. We have been piloting a bit of work in Ayrshire around that at the chief executive level. That involves the three Ayrshire chief executives and our chief executive, and it challenges our teams to very quickly come up with the right collaborative action for that community in the short term, as a result of Covid, with a view to building on that in future.

Therefore, there is room for the local, regional and national aspects, but we also need to factor in the international economy in prioritising economic growth opportunities across Scotland.

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

Colin Beattie (Midlothian North and Musselburgh) (SNP): Thank you, convener. What impact has reprioritisation of activities had on your budget allocation for 2020-21? Has it caused budgetary challenges? What are your expectations for your 2021-22 budget allocation?

Does anybody want to answer that?

Douglas Colquhoun: I am sorry. I was waiting for my mic to be unmuted.

Our board originally considered the draft budget for 2020-21 back in February, shortly after the Government had published it and before the impact of coronavirus was fully apparent. At the time, we set a budget of about £342 million, with an expectation that we would be able to generate nearly £50 million in business income from use of our property and investment assets to support that planned expenditure during the year. As we have

moved through the financial year, we have seen some erosion of that business income. The investment market has changed quite significantly. There are fewer deals that will—*[Inaudible.]*—for us. We have also had to reschedule loan repayments and so on with companies, as part of the response to the pandemic.

We started at £342 million and, as things stand, our budget is sitting at £529 million, which reflects the very significant additional funding that has been received from the Scottish Government, which was critical in allowing the enterprise agencies to support businesses quickly to survive the immediate challenge of the sharp drop in economic activity that resulted from the lockdown. That budget includes the £145 million that we were given for the pivotal enterprise resilience fund; the creative, tourism and hospitality hardship fund; the early stage growth support; and funding from the hotel support programme.

The business income forecast remains volatile. Business income has recovered slightly, but it is still 20 per cent lower than we anticipated at the beginning of the year. As we have discussed with the committee before, we entered the financial year with a highly committed budget, which reflected our success in previous years in stimulating demand for our support. As Charlotte Wright said earlier, we had anticipated that, as a result of coronavirus, there would be attrition, which is when planned projects do not progress at all, or slippage, which is when projects progress much more slowly than was originally planned. We anticipated that those processes of attrition and slippage would release budget resources that we could then pivot to use for other things.

That was all in line with the interim guidance from Scottish Government. It was clear that it wanted us to halt, in effect, all but the most critical business-as-usual activities, and to contribute to support for businesses and communities in Scotland, but it also recognised that we would need to deliver our contractual commitments.

We have, to date, seen very little of that anticipated attrition or slippage emerging, and our legal commitments have converted into expenditure. To illustrate that, I point out that excluding the moneys that we deployed for PERF and the hardship fund, our expenditure over the five-month period to the end of August was £105 million. That is the highest level of expenditure that we have incurred in the past five years. It is testament to the delivery and, I suppose, the resilience of the business base that there are companies that are moving on with the projects that they had planned.

However, the budget is finely balanced on a knife edge. To illustrate the way that it could move, I note that any additional volatility and erosion in

our income forecast could move us into overspend fairly quickly. We are currently running with slight deficits on our capital and resource budgets. Equally, if the attrition or slippage that I referred to earlier start to emerge significantly, particularly in the latter stages of the year, we could quickly move into underspend. At the moment, as I said, we are sitting with deficits that we think are manageable. However, I have worked in Scottish Enterprise for 32 years, and this is the most challenging set of circumstances that I have faced in my career. That was a long-winded answer to your question.

Nick Kenton (Highlands and Islands Enterprise): Highlands and Islands Enterprise's situation is very similar to that of Scottish Enterprise, but there are some differences, so I will concentrate on those, rather than repeat what Douglas Colquhoun said. We are not as reliant on income and our income has held up okay. We have had £120,000-worth of deferrals of rent from tenants; at the moment, they are deferrals rather than write-offs, so we hope that that will stand up.

We entered the year with a very heavy commitments base and with a £4 million reduction in our baseline, so we had to review our legal commitments in order to get to a balance at the start of the year. However, we took on board the letter from the cabinet secretary about scaling down business as usual and concentrating on Covid. In agreement with the board, we decided to set a £1 million deficit budget, in expectation that there would be some attrition, which allowed us to mount some of the responses that Charlotte Wright alluded to earlier, such as grants to enable digital investment and company start-up investment schemes. We are also looking at a tourism destination management organisation fund.

We mounted those responses as a sort of considered risk, and we have seen some attrition—more than the level that Douglas Colquhoun alluded to for Scottish Enterprise. Therefore, we are still forecasting that we will break even on revenue, but our slippage has been on capital. It is really on the capital side that we are seeing attrition, with Covid impacting on projects' progress.

Therefore, HIE is okay at the moment. We have responded to the request to make investments, and we are monitoring our position carefully and reviewing our budgets every month and quickly realigning budgets when we see changes in the forecast. However, we are still on course to meet our targets.

Anthony Daye (South of Scotland Enterprise): As my colleagues Douglas Colquhoun and Nick Kenton have said, this is a challenging set of circumstances. SOSE is slightly

different in that we came in with almost no commitments. Therefore, in line with the interim strategic guidance letter, we have directed 95 per cent of our capital and revenue funding towards response, restart and recovery. The period April to May was very much about allocating our staff resource to working with Scottish Enterprise and Highlands and Islands Enterprise on the hardship fund and PERF, and, using the place-based approach, getting £12 million to south of Scotland organisations to help them to weather the storm. The focus of our board continues to be in line with that guidance letter and on the emerging fiscal, economic and social challenges that we are going through. As has been said, Brexit is coming up fast, as well, so we are paying attention to that.

Like Scottish Enterprise, we are currently forecasting through budget revisions. We started at £24.8 million, and we are now forecast to spend £26.6 million, as a result of autumn and spring budget revisions. However, again like Scottish Enterprise, we will see some volatility as we move towards the year end, therefore we need to monitor the situation closely over the rest of the year.

Colin Beattie: Sarah Watters wants to come in. I think that you are muted.

10:45

Sarah Watters (Convention of Scottish Local Authorities): I am sorry. On local government finance, we have been working with the directors of finance across all councils since the pandemic began in March, to monitor the situation for councils. Factoring in all the known consequentials, we are looking at a gap of about £350 million for councils. Obviously, a huge part of that is additional expenditure, but more significant than that is the loss of income, which is where we are projecting a very large gap. We are working with the Scottish Government on a scheme to address the loss of income, which will replicate the scheme that is in operation in England. It does not look as though the consequentials will be enough to plug that gap.

Councils are taking their budgets back through committee to recast and reprioritise, as is required this year, as others have suggested. Significantly, we have been working with the Scottish Government to explore a range of fiscal flexibilities that we would seek to use in this financial year and the next. That includes such measures as use of a proportion of this year's general capital grant for revenue purposes; use of the capital fund; loans funds; and re-profiling debt in relation to public-private partnership and private finance initiative contracts.

There is a letter sitting with the Treasury that seeks to do the due diligence around use of those flexibilities. Obviously, they would be welcomed by councils and would put things on a slightly more sustainable footing for next year. We cannot see those measures as an alternative to fair funding for 2021-22, but they would help councils to mitigate some of issues that they are experiencing this year because of revenue pressures.

Colin Beattie: Thank you. Scottish Enterprise has highlighted to the committee previously that a high level of legal contractual commitments has impacted on its capacity to take on new projects. Perhaps you can give me a bit of information on that. Will that be the case next year as well?

Jane Martin: As Douglas Colquhoun said earlier, the level of commitments with which we entered the financial year is holding out. There is good news in that because it means that a number of the businesses that we are engaged with still want to invest in themselves and their growth. However, everything is to play for in the next six months of the financial year because, as Covid continues and as the impacts of issues such as furloughing of staff come to bear, we anticipate that there will be changes. However, we will enter the next financial year with a very high level of commitments, as well.

Douglas Colquhoun: I add that we have been very successful in stimulating a large pipeline of investable opportunities and growth opportunities over the past few years. Where those opportunities are approved and committed to, and particularly where they are capital opportunities, the resulting commitments tend to be relatively large and multiannual. Therefore, we have gone through a process of layering commitments year on year, as we approve each new project. That means that we always have a forward commitment—in fact, we have commitments going out for two or three financial years from now, as a result of that process.

As I said, we also have not seen the levels of attrition and slippage against programmes that we anticipated. As Jane Martin said, that demonstrates the resilience of some of the companies that we are dealing with, but if that holds up it could affect our capacity for new projects. As I highlighted in a previous response, we are looking at our business income projections for future years, as well. In the light of our current experience, we are adopting relatively prudent forecasts for next year, compared to what we have done historically, all of which obviously slightly lowers the scale of the budget that we have available.

On the plus side—to refer to one of the earlier questions—with regard to our budget allocation for next year, we have, as usual, had very

constructive and open engagement with Scottish Government ministers and officials on the pipeline of growth and investment opportunities, and associated potential jobs and gross value added, that we could deliver over the next few years.

However, as Sarah Watters and Hugh Lightbody alluded to earlier, the Government is facing financial constraints next year and difficulties across its budget. From its response to the report by the advisory group on economic recovery, it is clear that the Government wants to do all that it can to support jobs, investment, growth and a green recovery. Obviously, our activities in the enterprise agencies are fully aligned with that. Therefore, we will use the budget that is given to us as fully as we can next year to deliver the good outcomes that we think we are capable of delivering.

Colin Beattie: You are saying that commitments made in past years have an impact on the budget this year, because there are drawdowns for projects that have been approved. That implies that, in past years, when projects were approved, funds were not hypothecated or set aside against a particular project, and that future drawdowns were simply budgeted forward, thereby automatically reducing your ability to do future projects.

Douglas Colquhoun: As I said, we are dealing with a rolling programme of activity, and we enter into such commitments week on week. One issue that I am sure we have all faced recently is the annuality of the budget settlement process, which has, unfortunately, happened for a variety of reasons, including parliamentary cycles. We were led to understand that we might, particularly in capital, get allocations that would give us more certainty over the next two to three years, which would be extremely useful.

With regard to our standard reporting internally, we are reporting on the current year and monitoring the build-up of our commitments going into future years, so that we are very clear at any point in time what kind of discretionary funding we have available.

The Convener: I ask witnesses to keep their answers short and to the point, as we are under a time constraint. I will now hand over to Richard Lyle, who joins us remotely.

Richard Lyle (Uddingston and Bellshill) (SNP): Thank you, convener. What impact has Covid-19 had on performance measurements and targets? I notice that HIE has no targets this year. What progress have you made on linking performance to the national performance framework?

Charlotte Wright: Even towards the end of the last financial year, Covid had an impact on some

of our qualitative data gathering, which had an impact on data gathering for some of our 2019-20 outcomes around work and community capacity targets. Engagement with clients is needed to get the qualitative data, and we did not feel that it was appropriate to do that engagement.

The Scottish Government has not agreed with us a set of targets for this year, but our board is using last year's targets and tracking our performance against that. Performance is on course in some areas, including job creation, which is important—it is principally around job retention, rather than job creation. We are tracking our usual set of measures and reporting to our board on those.

All the enterprise and skills agencies are working collectively with the Scottish Government's analytical unit on the national performance framework to improve consistency of measurement and develop a shared understanding of common outcomes, to ensure that those are aligned with the framework.

As set out in our strategy, there are long-term objectives relating to conditions for growth in the region, which require new measurements and targets to be developed. It is important to take a holistic approach to that and to business support. However, we appreciate that that can make it difficult to isolate outcomes for particular activities, where those combine to create an impact, which I think was referenced in earlier answers. For example, supporting innovation, product development, marketing and trade missions collectively contribute to increasing exports and employment growth in a company overall. Therefore, we are mindful of and actively working on that alignment. Targets for this year are being monitored using last year's measures.

Richard Lyle: Before I move on, I will ask you another question, which might not relate to what we are discussing. However, because I previously worked with the Royal Bank of Scotland, I am interested in the planning that you have done and the discussions that you have had with staff about performance. Do staff performance reviews take place and, if so, will this year's reviews and performance be affected by Covid-19?

Charlotte Wright: Yes. We have an embedded approach to setting performance outcomes for all our staff. Those are done annually, with quarterly catch-ups. We have looked to reset some of those targets and outcomes so that they are focused absolutely on the Covid response.

Richard Lyle: That is excellent. Jane Martin, can I ask you the same two questions, please?

Jane Martin: Yes, of course. We are taking a very similar approach to HIE on our targets and measures this year. Our measures were signed off

and approved back in January, and things have changed. However, the measures that we are monitoring, such as jobs created and safeguarded, capital investment by companies, growth funding raised, innovation and research and development, remain key drivers for the economy, in spite of Covid. Therefore, we continue to track our performance on those. We have low confidence that we will achieve all our targets this year, given everything that is happening, but we remain highly committed to reporting regularly on our overall performance—not just on our normal targets, but on some of the additional work that we have been doing over recent months.

The Scottish Government is leading a piece of work that we will be part of. We are evaluating our work on the PERF and the hardship fund, starting with some survey work that will kick off in October to look at, for example, the gender and ethnicity mix in the companies that we have supported. I am sure that that work will be made fully public.

On your second point about individual staff performance, Scottish Enterprise started rolling out a new performance approach earlier this year, building on work that is firmly embedded across our organisation on individual performance plans and personal objective setting. We have shifted that to cover two or three years, rather than one year, and to look at a combination of what staff have delivered and how they have delivered, as well as team objectives. We have embedded that sense of collaborative working, a team ethos and how we work together in our approach to performance.

In recent months, we have done a lot of work on staff wellbeing, and those conversations are a fundamental part of our performance discussions. That is being done in light of current circumstances, but we also want to ensure that our staff are well cared for and motivated to deliver on an on-going basis.

Richard Lyle: Nick Halfhide, South of Scotland Enterprise is relatively new, but you might want to say a few words about that before I hand back to the convener.

Nick Halfhide: Yes. We published our operating plan at the start of the month, setting out what success will look like for this year. Some of that is around how we will help with the Covid response, but some of it is about how we will help to develop ourselves through the year as part of the three-year process of setting up. We will also be developing some more concrete measures that not only tie in business development but look at some of the community and environmental elements, so that we have a measurement suite that goes right across the economy and associated elements.

On performance management, we have instigated monthly conversations. Rather than doing it annually, we have a monthly review with staff so that we can flex them but also look at their development needs. As I said, we are taking a very flexible approach in our early years.

Richard Lyle: Excellent—that is new and innovative. Perhaps we could recommend that to all companies.

11:00

Andy Wightman (Lothian) (Green): I will try to roll all my questions into one in the interests of time.

I want to move on to economic recovery. In the past year, we have seen the announcement of a climate emergency and heard that the Scottish National Investment Bank's missions will include reaching net zero by 2045. In addition, the advisory group on economic recovery has published its report. I have questions for Jane Martin of Scottish Enterprise and Sarah Watters of COSLA.

What role does Scottish Enterprise play in those initiatives, particularly in getting to net zero by 2045? Are you reviewing Scottish Development International's support for the export of oil and gas technology?

Jane Martin: We have been doing a lot of work with the oil and gas sector and with Opportunity North East and others about the transition agenda. We are working to build a high profile for Scotland's sub-sea expertise from a decommissioning and transitioning to a net zero economy point of view. That work is on-going.

One key plank of our inward investment priorities and our future plan is how we position Scotland, our business base and the expertise that we have in oil and gas around the net zero agenda. That is a critical priority for us, and more work on that will come out in the coming weeks.

I did not catch the first part of your question because I was being unmuted.

Andy Wightman: What role is Scottish Enterprise playing in the developing agenda around reaching net zero by 2045? That is one of the key missions announced by the Scottish National Investment Bank.

Jane Martin: The climate emergency and the move to net zero are fundamental parts of our future strategy. They come straight from the Scottish Government's policy priorities. Our board will dedicate two days to that in a couple of weeks.

We have done a lot of work in recent years on our inward investment plans and on supporting projects such as Talgo. We deliberately go out and

try to bring in investment that fits that low carbon agenda. For several years, we have been tracking the carbon reductions and savings that come as a result of our business interventions. We also have experience of delivering the renewable energy investment fund via the Scottish Investment Bank, and its successor, the energy investment fund, which seeks to support the transition to low and net zero carbon emissions technologies.

We have been sharing our insight and experience with the Scottish National Investment Bank. We are currently preparing a response to the bank's formal consultation on its missions approach and the key missions that it has identified. That will be a key discussion topic for our board in the next couple of weeks.

As an organisation, we feel that we need to do more to embed our various initiatives across all our operations and decisions. We have been a strong supporter of a decarbonised economy, but the climate emergency means that we must embed that approach in how we prioritise and how we work with businesses and on projects. That should be implicit in everything that we do. We see the approach as a tool for prioritising activities and interventions across the board in future. If we were to support a business with money, we would look for it to partner with us on the net zero and fair work agendas. Those two key planks should cut across everything that we do in future.

Andy Wightman: Perhaps you could write to the committee about SDI's on-going support for the export of oil and gas technology.

One of the Scottish National Investment Bank's other draft missions will be a place-based mission. Scottish Enterprise has signalled that it will focus more on a place-based approach. Can I presume that COSLA welcomes that and sees great opportunities in it?

Sarah Watters: Absolutely. As you know, in the past few weeks, COSLA has published its "Blueprint for Local Government". We absolutely endorse the place-based approach. Local government has a key leadership role to play in that, as well as in achieving the target of net zero emissions by 2045. However, that will require fair funding as we go into 2021-22. Ideally, there would be a multiyear budget that would enable us to take the longer-term approach to planning that is necessary in considering issues such as vehicles, estates and green growth accelerators. All of that requires capital funding and revenue expenditure.

We are absolutely supportive of both agendas and we think that our blueprint articulates the key role for local government in that regard.

John Mason (Glasgow Shettleston) (SNP): I would like to follow on from the questions about

the Scottish National Investment Bank. When we spoke to its representatives, we asked whether they thought that demand for its services would be sufficient, and the Covid situation makes that even more questionable.

I have already heard from Scottish Enterprise that it feels that demand for its services is holding up. Does Scottish Enterprise see it as its role to be looking for demand for the Scottish National Investment Bank? Do you think that that demand will hold up? In particular, do you think that there will be sufficient demand from women-led businesses?

Jane Martin: In recent years, we have been creating and stimulating demand across the whole system. It is important that we are ambitious about what can be achieved and are not constrained by what we have at our own hand, as it were. That is a fundamental part of our strategy.

We will have a role in stimulating demand for the Scottish National Investment Bank, as will everyone else in the system. The exact approach to operationalising that in terms of how that would work and how we would fulfil that demand needs to be bottomed out, but we have a range of channels, tools and relationships at our disposal in that regard.

Over the past couple of years, we have done quite a lot of work with female entrepreneurs, working with Women's Enterprise Scotland and others to ensure that we can understand the various drivers around the issue of female-led businesses. Again, I am happy to share the work on that agenda with the Scottish National Investment Bank. I think that the committee has previously explored some of the potential gaps in relation to female-led businesses, borrowing and so on. There is a real opportunity there.

Through the Scottish National Investment Bank and the companies that we have worked with, we have access to a wide range of contacts with potential co-investors with regard to new opportunities and the new missions. We see that as being a good opportunity to stimulate demand.

We have already talked about the work that we have been doing around regional economic partnerships, looking at Covid recovery plans. That will also open up new demands for patient capital.

I do not think that there will be a quick fix. The bank is a new player and some businesses in Scotland have deep-rooted challenges around persistent non-borrowing, as it were—I mean companies that are not comfortable taking on debt. Having a player in the public sector that is involved in patient long-term capital will be a welcome addition. We need to work with businesses to get them comfortable in that space

in order to invest in their growth. That will be a key opportunity for us.

John Mason: Thank you. I assume that Highlands and Islands Enterprise and South Scotland Enterprise have a similar view. It would be helpful, however, to hear from Business Gateway and COSLA. Do they view the situation in the same way? Do they think that there will be demand for the SNIB, and what do they think about the position of women-led businesses?

Hugh Lightbody: On the SNIB missions, as Jane Martin said, SNIB is the new thing on the block. On the access to capital that has just been described, the advisory group's report sets out capital investment as a top priority. We see a strong connection between the AGER report and SNIB. There is clearly an opportunity in relation to that capital investment.

On the issue of women-led businesses, Business Gateway is a universal service. It is there to help absolutely everybody. Typically, around 50 per cent of the start-ups are women-led businesses. We will continue to support every business and every person who comes to the service. As I said, local government collectively sees the creation of SNIB as a positive development, because it provides the opportunity for that patient capital to meet the need for investment. We will be pushing businesses and projects towards that source of capital.

Alison Harris (Central Scotland) (Con): Good morning. How have Brexit preparations and, indeed, support been impacted by the pandemic?

Hugh Lightbody: I will jump in again. As I said earlier, we were working collectively together on the response to Brexit, which, obviously, was a challenge, because no one was quite clear what the impact would be. However, we recognised that there would be an impact on businesses, so we worked together on that through what was the Brexit response steering group.

I mentioned that that group was repurposed to deal with the more immediate needs of the Covid-19 situation and because, to an extent, Brexit had slipped off the table. As I also said earlier, Brexit is now firmly back on the table, so the work that we have been doing has again coalesced around the idea that we need to be responding not only to Covid-19 but also to Brexit, which is now just around the corner.

The group is now styled as the business resilience steering group. It involves the Government; the agencies; local authorities, through the Scottish Local Authorities Economic Development group; and COSLA. We come together very much as a collective group to examine what the impacts will be. We are repurposing our efforts to ensure that we can

respond to what is coming around the corner. Depending on how things go in the next three or four weeks, we might be looking at a no-deal scenario, so we are thinking about the implications of that.

Charlotte Wright: I endorse Hugh Lightbody's points, but I would make a further point around future funding. The Highlands and Islands have benefited hugely from the EU over the past 25 years—no part of the region has not been touched by EU funds. Therefore, we are particularly keen to see the progress of the shared prosperity fund. We are working with the Scottish Government, which has set up the multiagency future funds team. The consultation has demonstrated strong support for a regional approach to governance and delivery. I absolutely endorse that as the way forward. We hope to hear something about that soon.

Alison Harris: If no one else wishes to contribute on that point, I am happy to leave it there, convener.

The Convener: I thank our witnesses for attending today. Please feel free to write in if you want to add detail on matters that it might not have been possible to advise the committee of.

We will have a short suspension before we move to the next panel.

11:14

Meeting suspended.

11:22

On resuming—

The Convener: Welcome back. We turn to our next panel of witnesses.

We are joined by Fiona Hyslop, Cabinet Secretary for Economy, Fair Work and Culture. With her is Kevin Quinlan, director of international trade and investment at the Scottish Government. Joining us remotely, from the Scottish Government, we have Mary MacCallum, director of economic development; Richard Rollison, deputy director, mission Clyde; and Kathleen Swift, business manager. Welcome to you all.

I invite the cabinet secretary to make a brief opening statement.

The Cabinet Secretary for Economy, Fair Work and Culture (Fiona Hyslop): Thank you for asking me to attend the meeting today.

A great deal of work has taken place to enable our economy to move through the four stages of response, reset, restart and recovery.

Our early response stages supported businesses to shut down safely, and helped to maintain productive capacity in Scotland's economy by providing a business support programme worth £2.3 billion, delivered through our enterprise agencies and in conjunction with local authorities. We worked to ensure that that support could be made available to eligible companies as quickly as possible.

Our reset and restart work involved an on-going process with industry and trade unions, to develop and update guidance for businesses and workers to operate in as safe a way as possible as more business sectors reopened. That process was supported by three pillars: workplace guidance; compliance and enforcement with the Health and Safety Executive, environmental and police support; and the test and protect strategy.

In the past couple of weeks we have published our economic recovery implementation plan; a report on measures to mitigate the pandemic's impacts on the labour market, particularly those for our young people; and, most recently, our programme for government.

I hope that, today, we can discuss much of the work that has happened so far and that I can provide more details of our plans for economic recovery, which are carefully balanced against our overall priorities of protecting public health and eliminating the virus.

I would like to record the importance of the role that Scotland's businesses and workers have played—not just our key workers, who kept the essential parts of our economy moving at the height of lockdown, but all our workers across the country. I thank them for the way in which they have approached the reopening of businesses and services, and have thereby supported our economic recovery.

Central to our plans for economic recovery is our commitment to doing everything that we can to protect existing jobs, to support workers to upskill and reskill and to create good-quality jobs for the future. Our sector-led recovery plans will be crucial in that process as we work with industry, trade unions and other stakeholders to chart the way forward.

Similarly, we must protect and create opportunities for our young people, many of whom are being hit hardest by the economic impacts of the pandemic. Our recently announced youth guarantee means that every young person will have opportunities to attend university or college; to participate in an apprenticeship programme or training; to gain fair employment, including work experience; or to participate in a formal volunteering programme. Of the £100 million that we have identified to protect jobs and reduce the

impacts of Covid on our labour market, we have dedicated £60 million to the implementation of the youth guarantee.

The recovery and growth of our economy require investment, and we are committed to making that. We have already committed more than £900 million to supporting Scotland's economic recovery, including £230 million for our economic recovery stimulus package to invest in capital projects that will stimulate the economy; £372 million of support for the transport sector; and £160 million to our rural recovery package, which will support key sectors in the rural economy in recovering from the impacts of Covid-19. Combining the stimulus package with the business support that we have made available produces a total of more than £3.3 billion-worth of investment to protect our economy and build it back in a fairer, greener and more sustainable way.

However, we need to go further. In view of the longer-term impacts of Covid-19, the Scottish National Investment Bank will play a key role in supporting Scotland's recovery by delivering patient and sustainable investment. By taking a mission-oriented investment approach to support delivery of our long-term strategic outcomes, it will aim to achieve a just transition to net zero carbon emissions; extend equality of opportunity by investing in places and regeneration; and invest in innovation to support a healthier, more resilient and productive population.

I have taken the opportunity to highlight just some of the work that is under way to support Scotland's economy during this challenging period. I hope to be able to provide more detail to the committee during the rest of today's session. Colleagues across the Parliament are under no illusion as to the scale of the task that we face. We are dealing with unprecedented uncertainty, so we know that the plans that we make have to be flexible and might need to change and adapt to respond to Covid's impact on the economic environment around us. At every stage, we must respond to the needs of business, workers and everyone with a stake in our economy as we take steps towards a successful economic recovery.

The Convener: In your opening statement you mentioned the amounts that have been spent on support measures for businesses in Scotland. However, businesses have raised questions about the practicality of the measures that have been put in place. What due diligence will be undertaken to ensure that that money has been well spent? How will the success of the spend be evaluated? How will businesses' comments and criticisms—for example, on the need for practical measures rather than strategies or reviews—be taken into account?

Fiona Hyslop: As I have previously said to the committee, the economic responses of the UK and Scottish Governments had to be rapid, which meant that they were also fairly blunt in many respects. All our responses were geared towards getting finances out quickly.

We know that there were challenges and frustrations around the initial grant-making aspects. I put on record the Scottish Government's support for and recognition of the role that local authorities played in delivering the business grants that were allocated to them to handle. The enterprise agencies also worked extremely hard, and at speed, to deliver—in a matter of weeks—quite unique programmes such as the pivotal enterprises resilience fund and the creative, tourism and hospitality enterprises hardship fund. That was unique to Scotland, and they moved to try and keep productive capacity and also take a regional approach to ensure that there could be activity in the South Scotland and Highlands and Islands regions.

11:30

Evaluation is important. The Scottish Government's office of the chief economic adviser—OCEA—has a programme to monitor and evaluate the results of Covid-19. It is currently in the second stage of its evaluation, and we will ensure that the committee receives the reports from that so that its members can see that that work is taking place.

In the feedback that we received, there was a combination of analysis of the different funds, which was interesting. The furlough scheme from the UK Government was undoubtedly seen as a major support for the economy, and it still is. In the Parliament, we collectively voted in favour of calling for an extension of that.

It is also quite significant that the additional support that the Scottish Government provided through local authority grants and enterprise agencies was instrumental in helping businesses to be sustainable and able to reopen. Therefore, we are ensuring that evaluation takes place and that those funds and their impacts are monitored. Members probably know about the importance of those funds from their own constituency work. Obviously, not everybody could receive the funds. They were very specific, targeted and practical, and they helped people recover.

The £900 million for economic recovery represents an economic stimulus plan. We are engaged in activity to ensure that there is a job creation element to that and that there is economic activity that works toward regeneration—that means shovel-ready projects. We also have the town centre regeneration plan, and that, too, helps

with economic activity. Some of the cultural work and funds that I have allocated are there to ensure that heritage jobs are protected by activity, and practical work is taking place the length and breadth of the country.

That scheme is about economic stimulus, as is the development of the early stage growth fund that I announced last week. Those are all about ensuring that there is an economic stimulus for job creation and economic activity. To ensure that the funds are accountable, we will make sure that the committee receives the full evaluation that is taking place, so that there is a good understanding of the impact of the activity.

The Convener: You mentioned the furlough scheme, and you also mentioned that a lot of the schemes—including those introduced by the Scottish Government—are temporary measures that are meant to deal with unusual circumstances. What specific proposals has the Scottish Government made to the UK Government about how those can fit into a long-term solution rather than being part of a short-term provision, which is what they were intended as?

The furlough schemes in other European countries that were mentioned in the debate on the issue—Denmark, Germany and so on—are part of systems that are decades old or more than a century old and which have been fine-tuned to address these unusual circumstances. However, the furlough scheme in the UK is perhaps not part of a bigger picture. I am interested in what specific approach or system the Scottish Government has recommended to the UK Government to enable that provision to fit into the long-term plan.

Fiona Hyslop: We have produced an analysis of the extension of the coronavirus scheme that indicated that, for a cost of £850 million to extend the existing scheme for eight months, 61,000 jobs could be protected. The equivalent cost to do that for the whole of the UK would be about £10 billion. That is a lot of money, and I absolutely understand that.

However, we are in critical times. The Office for Budget Responsibility currently indicates that more than £190 billion has been spent by the UK Government. Obviously, it has the power to borrow and has other means by which it can finance that, as other countries have. In relative terms, the return for retaining somebody on the books, which companies can claim in January, will cost about £9 billion; that is not much less than the cost to extend the furlough scheme. However, it is a blanket approach. We think that that is good value and that it would pay for itself in the long run because it would protect GDP, income and tax take, and prevent spend on unemployment benefit. That is why other countries have decided to extend their schemes. Six countries—Australia,

Austria, France, Germany, Ireland and Switzerland—have extended their furlough schemes beyond this year, and Italy and Canada have extended their schemes to the end of this year.

You asked me specifically about what approaches we have made to the UK Government. Before the lockdown in March, when we were in the period of self-isolation, I suggested to the UK Government through the Secretary of State for Business, Energy and Industrial Strategy that it should look at the German scheme. As you have said, that scheme is well established. It has developed over a period of time, and it is interesting because it also has provision for short-term working.

There is something else that I spoke to the chancellor about, probably in the April to May period. When we were trying to plot what our recovery and restart would look like, the ability to have flexibility—remember that, at the beginning, the approach was quite a blunt instrument; it was about all staff or no staff—to bring some staff back but keep some on furlough would have enabled a more effective restart. I referred the chancellor to the German scheme at that point.

On what could happen and the full extension of the current scheme, we should bear in mind that we are about to get announcements from the UK Government and the Scottish Government today that will, obviously, give us all pause for thought about how far the economy can restart properly while we still live with the degree of infection that we have. We must have a means by which we can have some kind of flexibility and certainty. We know about particular sectors that have been hardest hit. I have made the case to the UK Government—in our regular quadrilateral calls and directly, when I was part of the round of economy ministers and secretaries of state in the UK Government who took part in regular calls with Rishi Sunak—for looking at some of our key sectors, such as oil and gas, for reasons that are different to the Covid issues but are slightly related. I raised the issue of transition in that sector and the need to ensure that, for example, the supply chain for capacity for engineering and subsea expertise can be retained, because we need that for our move to renewables and zero carbon.

I know that there is real concern about aerospace across all the Administrations. Again, the issue is about industrial and engineering capacity. Although tourism and hospitality are back, we all know that they are not back to capacity; indeed, a third of tourism and hospitality staff are still furloughed. In other sectors, only 15 per cent of staff are still furloughed. We know that there is still strain in that area, and we absolutely

see that in events and cultural areas. We also know that particular segments are affected, such as face-to-face mobile beauticians and soft-play facilities that have not reopened.

It would make sense to have some flexibility. The simple thing to do would be what other countries have done in extending existing schemes. If that approach were chosen, there is the choice of taking a more sectoral approach. The furlough schemes of Belgium, Canada, Italy and France have special provisions for businesses or sectors that have been hardest hit by the pandemic. Therefore, there are good international comparisons.

We need a system that suits the UK—I understand that and where we are—but there have been plenty of opportunities for me to make the case to the UK Government that I have just outlined, and I have done so. I sincerely hope, particularly in the situation in which we find ourselves just now, that the logic of the extension of the furlough scheme or some adaptation of it in some shape or form to meet the circumstances that we face is absolutely brought home to the UK Government and that it responds flexibly. A positive response to our call and, indeed, the call of industry would be very welcome. It is about keeping productive capacity, but it is also about the UK Government's self-interest, because the loss of tax take, the fall in GDP and the cost of unemployment would outweigh what would be a temporary investment in a furlough scheme.

The Convener: Does that mean that the Scottish Government will extend and continue schemes that it has been running?

Fiona Hyslop: The difference is that we do not have the financial levers to generate £190 billion. If we had the same powers, levers and capacity to generate that degree of income as other countries such as France, Germany, Ireland, Norway or Denmark, of course we could make decisions to extend the schemes that we currently have.

Should we keep funds back in case we need them because of the timing of the pandemic, or should we have got the funds into the hands of businesses to protect capacity and jobs? We have allocated our funds and they are with the businesses that need them. If further consequential and flexibilities came to this Government or we were given more powers to borrow, that would give us some degree of capacity, but we must be realistic. The UK Government is the state and it has the fiscal and economic levers that are required for the scale of activity that is needed for a proper economic response. I would like this Parliament to have more powers to do that, but we do not have them. We have to be realistic about where we are.

With regard to some of the business support that we need, for example, for local lockdowns, we will need to work with the UK Government. In last week's quadrilateral talks with Ken Skates, the Welsh Government minister, and Nadhim Zahawi, the UK Government minister, I agreed that we would work closely with them and shared our experience in Aberdeen, where we provided £1 million support for the local lockdown activity. However, to do anything at scale, we will need either additional powers for this Parliament to generate more funds through borrowing or further consequential from the UK Government.

Our payments have been allocated. There are issues that I am sure you will have heard about, such as what the business rates situation might be in the future; obviously, that relief has been a great help to many businesses. Kate Forbes will need to consider that issue as we start to put together our budget for next year.

The Convener: I do not think that you have spent the Barnett consequential that have come to Scotland as a result of what the UK Government funding has provided.

Fiona Hyslop: Yes, we have. There is a very small, marginal amount left, which we would want to allocate, if we can, to some of the issues around local lockdowns. The spend that went to the non-domestic rates grants allocation has been used, and we have used any underspend on that to help to support some of our unique funds in Scotland such as the tourism fund—which has a value of £14 million—that Fergus Ewing launched in August to help to maintain capacity in that sector. It would be a mistake to reflect that an underspend from those consequential is sitting ready to be allocated.

The Convener: You gave Germany as an example, but it had a surplus for the three years prior to Covid happening and it has now gone into deficit. If we look at its financial position purely on that measure, as it went into Covid, Germany had something like €50 billion more than the United Kingdom did, and that was based on years of what we might call austerity measures. In relation to further funding, how does that fit with the UK position?

Fiona Hyslop: If you are asking me to reflect on the handling of the UK Government's deficit over recent years, I am not sure how useful that would be in relation to the Scottish Government's budget. However, the UK Government has obviously had significant challenges and it is currently facing £2 trillion of debt, which is an enormous amount. Other countries have certain degrees of debt as well, but the UK Government is in a very challenging position economically. The issue is about resilience.

You mentioned austerity. A significant question that we should reflect on is why we need to have a wellbeing economy as opposed to one that is driven by austerity. We know from our six months' experience of the impacts of Covid on public health that the inequalities that exist in our society, which have been accentuated by years of austerity, have had a public health impact. The areas where there have been most deaths, sadly, also reflect areas of financial deprivation and poverty, which have been accentuated over that period.

There is a public health dynamic to how we run our economics, and if you are asking me what should happen in the future, I am absolutely of the view that the UK Government should not embark on austerity to help to drive down its £2 trillion of debt. There has to be an understanding of the consequences of austerity for lots of different areas, which we have seen in particular—and most sadly—in relation to public health.

11:45

The Convener: That is a very broad topic, as you say, cabinet secretary. We will move on to questions on other matters from Maurice Golden.

Maurice Golden: On the business support landscape, how have other Government agencies that might have a role in business support or economic development, such as SEPA and the Crown Estate, supported and co-ordinated with the enterprise agencies during the pandemic?

Fiona Hyslop: I listened to the evidence from your previous panel and I heard those combinations being mentioned, particularly in the contribution from the chief executive of Highlands and Islands Enterprise.

You are right to draw attention to the opportunities for all agencies to think about how they can co-ordinate in contributing to economic recovery and activity. The experience of the past six months has focused minds and built relationships, which has provided some energy to how everybody works in co-ordination. There is now closer activity. I remind the committee that I only took up my post several weeks before lockdown, so it is difficult for me to compare that from my own experience with what happened previously, but I am impressed by that activity.

From a Government point of view, I have made sure during this period that we have regular weekly meetings of economy ministers, and naturally there are regular meetings with the First Minister and cabinet secretaries with an interest in the economy. However, in my view, every minister has an interest in the economy. How do we mobilise that activity across Government? I think that more can be done in that area. If the

committee is interested in that, we can look further into how we do that.

From a green recovery point of view, we need the circular economy, which I know the member is interested in, and there are also opportunities for green investment. We need to make sure that we marry the opportunities and the drive to net zero with the availability of not only public investment, but private investment in the area.

Maurice Golden: There is certainly a centralised role in helping those agencies and other bodies to work closely together. We heard earlier that the enterprise agencies, beyond their contractual commitments, have had to prioritise support in the Covid landscape. Have you co-ordinated that across Government with the other agencies that could have a business support or economic development role, asking them to prioritise those functions during the pandemic?

Fiona Hyslop: Yes. The interim letters of guidance that were issued to public bodies generally focused on that. I will give you an example. Although I have transferred responsibility for tourism, events and hospitality to Fergus Ewing, I still keep an interest in and have responsibility for major events, and VisitScotland, for example, has refocused its activity to help to deliver support for the events industry. I managed to allocate some of the consequential to the events sector, but the EventScotland side of VisitScotland has also considered how it can reorganise and refocus some of the activity.

Another example is the festivals and the culture side of things. We did not reduce their funding, but we said that they should make sure that they support freelancers, so, for example, the Edinburgh International Festival helped to support 500 freelancers to do their activity virtually.

It has been more challenging in relation to the enterprise agencies. We might have expected the pipeline of opportunities to suffer attrition but, as we heard earlier, that has not been the case. There may have been less opportunity to use some of the funding, but I would rather have more opportunities for future pipeline activity than not, because we will need those jobs. There has been an adjustment.

We have been using the resources that we have and trying to reorganise them where we can, because every penny will count in how we readjust. Being smart with what we have is a real challenge, which is why I talked earlier about flexibility in relation to our programmes and financing. We want to make sure that we are getting resources to where they are needed, but we have challenges. For example, some of the flexibilities between capital and revenue are important from a Scottish Government point of

view, but from my perspective, having capital for jobs in my budget is really important, and we will try to get as much of that capital as possible into the hands of our enterprise agencies this year, if we can do so. That will not be reconciled until some time in the future, but I am sure that the committee will take an interest in it.

Colin Beattie: I would like to look at economic development. There have been a fair few comments on that to the committee, but I will pick one of them. The STUC has stated its view that

“Scotland’s economic policy making infrastructure is fragmented and lacks capacity to meaningfully shape economic development.”

What is your response to that?

Fiona Hyslop: Economic development is complex. It has national, international and local dimensions. There is a lot of focus on it by the advisory group on economic recovery, and you will have seen in our programme for government an adjustment towards place-based activity and a more localised response.

I do not recognise the analysis that you quoted. There are frustrations in that we have limits to some of the powers that would allow us to have a more co-ordinated approach. For example, on renewable energy, the fact that we do not have powers over contracts for difference puts pressure on domestic supply chains. That is a UK responsibility. On transmission, changes in the area of energy regulation would help to liberate some of the activity that we might need on renewable energy, as part of the green jobs agenda.

We have to make sure that we are co-ordinated. Our national performance framework is the focus that we expect every body that receives public money to align with, and indeed more widely across Scotland. There is alignment there. I know that the committee has heard from the Enterprise and Skills Strategic Board—I think that its convener came to see you in August—and part of what it is trying to do is to make sure that there is more alignment. There has been quite a lot of shift in that area.

As I said earlier, the reality of dealing with the crisis has also brought agencies together, with closer relationships and more co-ordination. On the regularity of contact, you have heard from the agencies that they have been involved in regular daily calls and activity. We also have the Brexit response steering group taking us through from Brexit, which is still an issue, and it will be increasingly important in the coming weeks and months, together with the Covid response. Again, dealing with the crisis response has brought people together.

I have regular weekly contacts with Scottish Enterprise to gain its insights and look at what it is doing.

I will give you a practical example of what we have managed to do. Our National Manufacturing Institute Scotland is and will continue to be crucial to that co-ordination and making sure that we are responding to both opportunities and challenges. We have a £75 million investment in that. In the past six months, the institute has been able to mobilise quickly. In the early stage of the pandemic, it addressed as many inquiries in 10 weeks as it had had in the previous year. It reached out to more than 400 companies and organisations and offered support, and it provided specialist support through nine multi-agency teams with such things as face masks, ventilators and data handling.

In the past few months, that work has led to an increased manufacturing self-sufficiency for Scotland for new supply chains, and created four new supply chains for PPE. That is an example of co-ordination, with work involving different agencies and companies to develop a common purpose for self-sufficiency in PPE. As part of our making Scotland’s future programme, we are now looking to ensure that that integrated plan and co-ordination of manufacturing allows us to look at different areas in Scotland and develop the indigenous supply chain and procurement.

That is a very good, practical example of how, using the NMIS and working with Scottish Enterprise and other agencies, we have managed to co-ordinate practically and strategically for something that we need, and we now want to use that for other manufacturing and procurement policies. It is not just the theory of doing it and it is not just that we are having regular contact; we are turning that into practice for the good of economic recovery.

Colin Beattie: I realise that I am focusing on the STUC, but I want to quote it again. When asked about Scotland economic strategy, it said:

“It is questionable whether an approach based on growing inward investment and simultaneously promoting competitiveness and growth while addressing equality is ... fit for purpose.”

Fiona Hyslop: Those are quite strong words. We have worked closely with the STUC. During the period of the pandemic, I was meeting it twice weekly to make sure that we were closely aligned on the immediate response across Government.

I was instrumental in making sure that we put together the business and STUC working groups to ensure that we had the safety guidelines in place to aid recovery, and I am also keen to make sure that the STUC is involved in the sectoral response. It has been heavily involved in the

response on construction—again, that is a practical example as opposed to a theoretical one. It has worked with more than 70 companies on that. We brought together the STUC, businesses and organisations to prepare a draft recovery plan and find a consensus on how the construction sector can recover. That is a practical example of a sectoral response.

I think that the STUC's criticism on a more strategic level is about whether there should be a combined approach to inward investment and exports as well as the building of indigenous capacity. I think that we have to do all of that. We know that Scotland has been very successful when it comes to inward investment. We want to ensure that such investment is increasingly aligned with our values and the areas that we want to work on—renewables, our expertise in life sciences and so on—so we are going to get a bit more focused on that activity. Ivan McKee will introduce the inward investment plan in the next couple of weeks, and I am sure that the committee will take an interest in that.

Why is that important? It is because a lot of the companies that have inward investment provide large numbers of jobs and have large capacity and research and development capability. As you would expect, it is not an either/or; it is a both/and.

We have to make sure that we are covering all those bases. We absolutely have to tackle inequality as a country, but we also know that, from an economic perspective, tackling inequality brings growth. Wellbeing economies are increasingly being seen as exemplars of a route through the economic crisis that we are in as a result of Covid. We recognise that we must build as a collective because the only way that we will survive economically is if everyone takes responsibility.

We cannot afford for businesses or individuals to be selfish with their means. Everyone is co-dependent, which means that we rely on everyone, and that in turns means that we have to tackle inequality if we are to deliver properly. As a theoretical base, that is right. As a practical reality, we think that it is the way forward, and it is increasingly being recognised as such.

Colin Beattie: I will move on from the STUC. The AGER report, "Towards a robust, resilient wellbeing economy for Scotland: Report of the Advisory Group on Economic Recovery", recommended that

"The economic development landscape in Scotland should pivot to a more regionally focused model".

Are the enterprise agencies doing that? What is the role for local authorities?

Fiona Hyslop: On that petitioning, we think that a place-based approach is increasingly important. That can be seen through the £1.9 billion-worth of city region deals and growth deals. Even in the past few months, the quanta for the Falkirk growth deal and the islands growth deal have been announced. We are hopeful that we can get dates fixed for the Ayrshire growth deal and co-ordinate with the UK Government to get it moving.

The focus of South of Scotland Enterprise is, obviously, regionally based, and the agency has had to hit the ground running. The convention of the south of Scotland will take place next week. Highlands and Islands Enterprise has had a long-standing regional response in its area.

As far as Scottish Enterprise is concerned, which is the agency that I have particularly responsibility for, we have been quite clear with it that we want it to help to support locally and regionally based activity. Our programme for government also commits it, and it is particularly involved in three focused areas—Ayrshire, which I have just mentioned; the Clyde mission; and the north-east, particularly to ensure that the capability, capacity and supply chains in engineering can focus on the renewables transition. We have committed Scottish Enterprise to that.

The work with the Society of Local Authority Chief Executives and Senior Managers and the Scottish local authorities economic development group is particularly important, and the business resilience steering group that I mentioned earlier is also bringing together the agencies and local authorities.

I have regular calls with Councillor Heddle from COSLA on how we can align. Local authorities will be critical to the youth guarantee and to our labour market approaches. That area will be increasingly important. We are starting to see the theory of wanting a place-based approach turn into practical steps through our initiatives. I hope that there will be announcements on the Clyde mission in the next week or two.

12:00

The Convener: The next questions are from Richard Lyle, who joins us remotely.

Richard Lyle: To save time, I will ask two quick questions. Covid-19 is not going away any time soon, and we are discussing its monetary effects on businesses. I know that the cabinet secretary is trying to share the cake, but many businesses still do not get Covid-19 funding, mainly due to UK Government regulations. Are we highlighting such businesses?

Fiona Hyslop: In relation to UK regulations? I am not quite sure which businesses you are talking about.

Richard Lyle: I am talking about businesses that have not received any funding—it will become clear once I have asked my second question.

Fiona Hyslop: You might want to ask your second question—that might help me.

Richard Lyle: Okay. What funding is still available to distribute to showpeople, wedding planners and other businesses that have had no income since March? I refer members to my entry in the register of members' interests. I know that you have said that very little money is left, but what more can be shared from what is left? Can we expect other announcements of funding to help people who have not received any funding at all?

Fiona Hyslop: That is a very important question. A number of sectors were at the end of the reopening timetable, and some have not opened at all, so I know that there are pressures. For example, we had expected that businesses such as soft play centres might have been able to open on 24 August or in September. The indicative date for reopening was 5 October, but we will hear in today's announcement what the current levels of infection mean for such businesses.

There are different challenges in every sector. I know that Richard Lyle has a particular interest in showpeople. We are working with our colleagues in equalities, events and culture to identify whether we can put together a funding stream to tackle hardship. Such funding streams have not been about income replacement; they have been about sustainability, survivability and tackling hardship.

The recent extension of the number of people who can attend wedding receptions has helped to an extent, but there are real challenges until receptions can resume in greater numbers. We do not know where we will be next year, but there is a heavy number of bookings for next year, so there will be additional income at that time. Of course, that does not help people now, so a bespoke package, combining loans and grants, might be of interest to such businesses.

As I have said, we know that face-to-face mobile beauticians and soft play centre workers cannot return to work. I have been in discussions with the Cabinet Secretary for Finance to try to identify support for specific sectors that are not open.

We are able to provide support in some areas because of the heritage, culture and arts consequentials. For example, some freelancers in the screen industry have not received funding but, yesterday, Screen Scotland opened a fund that can help them. We are trying to work out how the

sectors that have not opened—there are a lot of them in the area of culture, heritage and events—can get funding.

The businesses that Richard Lyle has identified are quite specific. There are no remaining business consequentials that I can suddenly allocate to those groups. I have to work with the finance secretary to see whether there is any room for manoeuvre. For example, changing some of the capital to revenue might help lots of different areas, including the area that we are talking about. I have said that we need to be flexible and adaptable, but we also need to be creative. We know that the need exists. I cannot promise that there will be an instant solution, but we are working on it.

Richard Lyle: I, for one, live in the real world. I have been a politician for maybe too long, but I know that you are trying to help people, and I thank you for that.

Rhoda Grant: I will move on to the Scottish National Investment Bank and its proposed missions. Some of the organisations that have been in touch with the committee have said that there is a

“dearth of information pertaining to gender equality”,

and a lack of recognition for the charity, voluntary and social enterprise sector, as well as co-ops. What is your response to those concerns, which have been expressed to the committee in evidence?

Fiona Hyslop: Sorry—I have just realised that you are in the committee room, Rhoda. It took me a while to realise what was going on. [*Laughter.*]

I am aware of those concerns. It is important that we recognise that the bank is governed by legislation, and the legislation on that latter point is quite specific. The bank has a duty and responsibility in relation to third sector organisations. What it can fund is driven by the legislation, which includes that sector.

The proposal on the missions was laid in the Scottish Parliament for consultation for 40 days, taking us to the beginning of October, and you and the committee obviously have an interest in that. Clearly, if you want to provide that feedback to the bank, we can make sure that it is aware of that point. When the bank is communicating to people what it can invest in from a legal point of view, it should be aware of and express your point and say that it is open to that, from a desirability point of view.

I re-emphasise that, during the Covid experience, I have been struck by the role of the third sector in helping to protect and generate jobs. The third sector resilience fund has been very effective throughout Scotland. Another good

example is the proposal in report of the advisory group on economic recovery, which also has a focus on the role of the third sector in economic recovery.

It might be an issue about language and emphasis. We know that, when the bank refers to investing in businesses, that covers all the organisations that it can invest in, but I am sure that the bank will listen to you and hear your feedback.

On equalities issues, again, it might be helpful to the committee to hear that the equalities legislation will be amended so that the public sector equality duty applies to the bank, requiring it to have due regard to the need to eliminate discrimination and advance equality of opportunity when carrying out its activities.

The bank will also take action to address access to finance issues for women-led businesses, female entrepreneurs, and business owners and entrepreneurs from an ethnic minority background. In terms of finance, it will also be looking at initial capitalisation from financial transactions, and I know from talking to Aileen Campbell, the Cabinet Secretary for Communities and Local Government, that the ability to get loans and so on is really important for economic activity in the third sector, particularly at this time.

You are right to draw attention to the point. Equalities is one of the main missions. From a place-based point of view, it is really important that the bank considers how it will work with women-led businesses in particular. From experience, we know that there will be a need to take a strong gender perspective on what happens in the economic recovery. Further, although this is not necessarily clear from the figures so far, we know that young people are already suffering from the impact of Covid. We have yet to see whether, without a furlough scheme, there could be a sudden move to mass redundancies, and my fear is that women might suffer most.

I am not saying that the bank would necessarily be the first port of call for women entrepreneurs—they might go to the Business Gateway or elsewhere. However, we also know from previous downturns that there can be a large number of start-ups as a result of people taking redundancy packages and moving into different areas. It was a financial crisis of a different level, but that happened in the Highlands and Islands 10 years ago.

I want to make sure that there are opportunities for women because we know that they are successful in terms of their experience in business and with start-ups in different investment areas. Obviously, such opportunities would have to align to the bank's missions, such as those on place

and equalities, but there is an opportunity for that to happen.

Not everything will have to happen in Glasgow and Edinburgh. Part of our approach to recovery will be to consider what happens to the geography of our economy afterwards. That is part of the bank's mission-based focus, which, again, might suit women who want to set up businesses in the areas that they want to live in.

The zero carbon, just transition focus is the primary mission, so it has to be there, but, on your points about equalities and gender, I hope that I have given some background on what the bank needs to do under the legislation, and what we want it to do. It is important to ensure that there is a gender focus in the work of the bank, which, I point out, is led by women.

Rhoda Grant: Can I push you a little on that? From evidence that we took last week, it seemed that things were a bit like business as usual. Although the bank is not yet operational, it is already considering where it might invest. However, we are hearing from parties such as the third sector that they are not part of that process. The evidence seemed to be that, at some point, they will be taken into what we might call the congregation of people that the bank will speak to, but that is not happening at the moment. What will you do to measure the bank against the ideals that have been put in place, and to hold it to those?

Fiona Hyslop: On the bank's responsibilities, I refer to the legislation. I am looking at Kevin Quinlan, who has been rapidly considering that with particular reference to third sector duties.

As the cabinet secretary, I will hold the bank to account according to the terms of its founding legislation. If we receive feedback that its visibility should be stronger in that area, I will speak to the chief executive and the chair about that in my regular calls with them.

If he has it to hand, perhaps Kevin Quinlan could quote from the relevant legislation. I am sure that the committee will already be aware of it, because it will have considered it previously.

Kevin Quinlan (Scottish Government): The legislation to which Ms Hyslop refers reflects feedback both from the third sector and from parliamentarians. Section 6(3) of the Scottish National Investment Bank Act 2020 says:

"For the avoidance of doubt, the articles of association may provide that the Bank may give financial assistance to a third sector body (as defined in section 37 of the Community Justice (Scotland) Act 2016.)"

As the cabinet secretary has outlined, we will hold the bank accountable on a variety of other measures. I will not recap what she has said, but

we will certainly continue to engage with the bank on those subjects.

Alison Harris: How confident are you that state aid permission will be secured for the SNIB from the European Commission before the end of 2020?

Fiona Hyslop: Securing agreement on state aid from the European Commission is part of the process. The bank is working in close collaboration with the Commission to ensure that it will receive that approval. I can tell the committee that its most recent engagement was on Tuesday 15 September, when excellent progress was made. The bank is now entering the final stages of the notification process and expects that the Commission will grant its formal approval in the coming weeks, which will provide the authorisation that the bank requires to vest.

John Mason: Following on from Alison Harris's question, another outstanding issue has been obtaining dispensation from HM Treasury, which would mean that, at the end of the financial year, the bank would be treated separately and any balances that it had would not be treated as part of the Government's finances. I understand that such dispensation has not been forthcoming. Will you update the committee on where we are with that aspect and whether problems might arise because of it?

Fiona Hyslop: You are right to identify that. Hello, John—I have just realised where everyone on the committee is sitting. I should have realised where you were. *[Laughter.]*

You are correct that, in order for the bank to operate in the way that is intended, the Scottish Government needs to secure a dispensation from HM Treasury for the bank to have the flexibility to manage and carry forward cash balances over financial year ends. The Government is engaging with the Treasury on the fiscal framework, including in relation to how the bank's position could be managed as part of that process. As you will be aware, the fiscal framework will be reviewed following completion of an independent report by the end of 2021. Therefore, until a dispensation arrangement for the bank is in place, its year-end financial position will have to be accommodated as part of the overall Scotland reserve.

12:15

Clearly, our preference is for that not to happen, in order to give more flexibility for the overall Scottish budget and for the bank. Therefore, we would be grateful for any encouragement and support for enabling the bank to have that flexibility that the committee can communicate to the Treasury.

John Mason: We hope that, in practice, that would be a problem for only one year end—that for 2020-21, in March 2021, if I understand you correctly. If the bank were to have a balance that it had not yet invested, that would have to be included in the Scotland reserve, but we hope that that will not be a problem, because there will not be much else in the Scotland reserve.

Fiona Hyslop: It is a moveable feast, but that is the possible constraint. Getting the dispensation sooner rather than later would benefit not only the Scottish National Investment Bank, but the Scotland reserve.

John Mason: The other area that I want to address is demand stimulation. We raised that with the Scottish National Investment Bank last week and with Scottish Enterprise and the other witnesses earlier today. There has always been a question about whether businesses are ready to come to SNIB or whether they will need a bit of encouragement to understand what is going on and what the bank is going to do. That could be made worse by Covid, if businesses are less confident. Is there a problem with that, or is it going to be plain sailing?

Fiona Hyslop: I do not think that anything is going to be plain sailing for anybody any time soon in our economy or globally. There will be challenges everywhere. However, the experience to date, as we heard from the enterprise agencies, is that there is still a pipeline of people and businesses that want to receive public support matched with private investment. Private investment is a challenge in some areas, which is why, as part of our economic stimulus, we have helped to support early-stage growth companies, because investment in those companies will generate jobs. I have announced that the £3 million that we invested in the early-stage growth companies resulted in 41 companies being developed.

We think that there will be a pipeline of interest in programme for government incentives for decarbonisation through the decarbonisation fund and the green jobs fund. That support is helping to stimulate domestic investment and potential inward investment. We want Scotland to be the place to do business for companies in renewable energy, hydrogen for transportation and other fields. I am confident that there will be a pipeline of interest, but you are correct that everybody should be involved in stimulating that.

To give you an example, just the other week, I was at the Mossend International Railfreight Park, where we launched the green investment portfolio, with an initial capital portfolio of £1.6 billion ready for investment. We are trying to attract green finance from different parts of the world but also, obviously, from Scotland. The Scottish National

Investment Bank might be interested in partnering some of that. It is a pipeline of ready-made activity that could be invested in.

However, there is a responsibility on all the enterprise agencies, and on local government, to identify candidates for good investment opportunities for the Scottish National Investment Bank. That will need work, focus and visibility—indeed, to refer back to Rhoda Grant's question, it will need visibility on a wider spectrum. However, we must remember that the bank has not vested yet. The amount of interest in and engagement with the Scottish National Investment Bank to date has been encouraging, but there is obviously more work to do.

It is not going to be plain sailing, but, counter to our instinct that the pipeline of business opportunities might dry up, we are seeing that, although there might be delays, interest is not necessarily falling away to the extent that we thought would happen for the enterprise agencies.

There will still be opportunities for the Scottish National Investment Bank in some of the big areas that we want to get involved in, such as achieving net zero carbon, particularly in housing, through, for example, greater use of heat pumps, being innovative in district heating and ensuring that there are opportunities around that change in our approach to energy sources for business and housing. The opportunities will be there to really drive forward the main mission of a just transition to a net zero carbon economy.

John Mason: I agree that there are needs, but I am more interested in how that will happen. I understand that the British Business Bank has a specific demand development unit to stimulate demand. When I asked the representatives from the SNIB about that last week, they seemed to think that everybody in the SNIB had the job of getting out there to seek demand. Does there need to be a special unit?

Fiona Hyslop: The operational management of the Scottish National Investment Bank is for the bank. As I have said, I view all ministers as having an interest in the economy; they are all economy ministers, to an extent. Similarly, that is the very nature of the bank, although there will clearly be specialisms within it. It is not for Government ministers to dictate to the chief executive how she sets up the operational management of the bank, but she will obviously look at examples of what has happened elsewhere.

The Convener: The next questions are from the deputy convener, Willie Coffey, who joins us remotely.

Willie Coffey: I will just ask one question, given the time constraints. Covid is having a serious enough impact on employment—particularly given

that, if the furlough scheme ends, we might expect 60,000 jobs to be lost in Scotland—but the madness of Brexit is the elephant in the room and is coming along swiftly. What is the Government doing to try to reconcile those two major issues that will have major impacts on the Scottish economy, while still planning ahead for our greener economic recovery in order to meet our commitments on climate change, biodiversity recovery and so on? How are we faring with all those challenges that the Government faces?

Fiona Hyslop: The last thing that we want to see as we come through the Covid pandemic is the headwinds of Brexit charging down over the next couple of weeks and months, particularly given that we do not know what the deal will be or whether there will, in fact, be a deal at all. I will not necessarily get into the politics of Brexit; I am sure that the committee has had plenty of opportunities to rehearse those arguments. However, Brexit is a very serious issue in relation to the practicalities and the planning that is required by many.

The Brexit response steering group has been meeting. The focus has been more on Covid recently, but the group has always maintained an interest in understanding and co-ordinating activity on Brexit preparations.

I have talked about the Brexit resilience steering group, which is bringing together the enterprise and skills agencies, Business Gateway, SLAED, VisitScotland, the Scottish Cities Alliance and the Scottish Government to look at what is required. That means co-ordinating and delivering a single response to Brexit and Covid-19 across the agencies. As well as the findbusinesssupport.gov.scot website, there is a prepareforbrexit.scot website as part of the main communications channel, in order to co-ordinate the communication on what is available. The Brexit response leadership group, whose members include the chairs and chief executive officers of the enterprise and skills agencies, is looking at strategic direction.

There are challenges. We do not know that the trade agreements will look like. We have concerns that the trade agreements that we have seen today come nowhere near to compensating for the GDP loss from leaving the EU. It is important that we maintain standards and that we do not have a race to the bottom. The United Kingdom Internal Market Bill will run a coach and horses through the devolved Administrations' responsibilities and regulations, which will cause challenges. Yesterday, we heard concerns from architects about standards being diminished.

I could spend a long time raising my concerns about where we are. We have to chart a way forward through a fog of uncertainty that gives no clarity for business. That will be a practical issue

over the next few weeks. If we do not have measures in place in relation to a deal with the EU, there will be logistical, procurement and supply chain challenges that will impact on every business.

Obviously, there are licensing issues, and there is support for businesses on the practical arrangements that they will need to put in place. We are also working, in a very practical way, with UK Government departments to ensure that we know who our exporters are, we can reach out to them and, particularly through our SDI colleagues, we have lines of communication that help to provide the information that they need.

This is September. As you all know, we have little time left and few opportunities to make sure that we are ready. I am not sure that everyone can be ready in this period of uncertainty when we still do not know whether there will be a deal with the EU.

Andy Wightman: I want to ask about the Scottish growth scheme. Your response to a written question from Dean Lockhart showed that, of the original target of £500 million spend on the Scottish growth scheme from 2017 to 2020, a little more than £250 million had been allocated by July 2020. How do you envisage achieving that £500 million spend?

Fiona Hyslop: The £500 million is a target. It is not public money that is available for allocating—it is demand led. That continues to be a challenge. The officials might be able to help me on this, too, but I think that we have allocated about £264 million. I will correct the record if that is an incorrect figure.

I mentioned that allocations are demand led. The past six months has been challenging, and it would have been a difficult matter to pursue. On the enterprise side, there is a pipeline of interest in different areas, but there has not necessarily been the take-up of activity that we would have expected. The situation is as much private sector led as anything else. In addition, European funds tend to require match funding in those areas. That is problematic, given the current challenges.

I am trying to recall who the appropriate official is who might help with the growth scheme.

Kevin Quinlan: It is Richard Rollison.

Fiona Hyslop: With the convener's permission, I will bring in Richard Rollison. I will ask him to share with the committee the current status of the growth scheme and to provide any other relevant information.

Richard Rollison (Scottish Government): I am happy to do that. The latest position, at the end of July, is that the total investment through the

growth scheme is £258.9 million of both debt and equity, which has gone to about 440 companies.

I think that I was at the committee this time last year. The July figure contrasts with the position then, when we were at something like £150 million of investment in just over 230 companies. There has been an additional £110 million of investment over the past year through the growth scheme.

Fiona Hyslop: Thank you very much for correcting my incorrect figures, Richard.

Andy Wightman: I want to follow up the letter of February 2020 that Ivan McKee sent to the committee on behalf of the Government in response to our work on the strategic board. He said that the strategic board analytical unit was developing a measurement framework to allow the board to track progress against outcomes and impacts, using relevant indicators from the Scottish national performance framework. Do you have any insight into that? Perhaps my question would be better directed to the strategic board.

Fiona Hyslop: I think that it should be directed to the strategic board. To be fair, it was about to develop that work and then Covid struck. It—quite correctly—refocused its work on ensuring that the agencies were aligned, and it produced a report about how the agencies should work in response to Covid.

I think that that is an important piece of work, because it aligns with the national performance framework, which, in and of itself, also embeds the wellbeing economy approach. On the progress of that work, it would be more helpful if the committee were to approach the chair of the strategic board.

Andy Wightman: Thank you.

The Convener: Thank you, convener. Sorry, not convener—I mean, cabinet secretary.

Fiona Hyslop: You said that because of where I am sitting.

The Convener: The room set-up is confusing even me. *[Laughter.]*

Perhaps I can ask you about one last matter before we close the session. I am not going to dwell on the excellencies of Brexit. Rather, my questions are about enterprise agencies and budget allocations. We have heard evidence of overcommitments by Scottish Enterprise and Highlands and Islands Enterprise, so my first question is whether you think those agencies are sufficiently resourced.

My second question is about the scale of losses and claims that have been written off by Scottish Enterprise. Are you concerned by those, and what are the lessons to be learned?

12:30

Fiona Hyslop: I will address the first matter and then come on to the second. I might bring in Richard Rollison again to speak on some of the write-off issues.

Clearly, there was more of an alignment of budgets in the 2019-20 budget, particularly with the development of South of Scotland Enterprise and the Scottish National Investment Bank.

There was retention of capital but a reduction in revenue. Obviously, as economy secretary, I would like to have more resource for the enterprise agencies and any support that this committee can give to me would be welcome as part of the pre-budget scrutiny process. However, we have to deal with the reality of where we are, and therefore we have to maximise what we can do with the resources that we have.

The pipeline pressure from the agencies has stretched them and attrition has not happened during Covid. I would rather have opportunities and invest in them than a lack of opportunities with businesses that want to develop and grow.

I suppose that this relates to some of the in-year activity that I have been involved in, but I think that it is important that we have capital for jobs. I am trying to secure that as much as possible. That could be seen in the programme for government, in our green investment jobs allocation. It can also be seen in the infrastructure investment plan, which will give us a longer view. Capital for jobs is very important.

To demonstrate that we recognise the in-year pressures, I say that only yesterday we wrote to the chief executive of Scottish Enterprise to inform him that we will allocate an additional £8.3 million of capital funding during the period of this year's budget to help address challenges and pressures in 2020-21.

We will continue to consider opportunities for the use of capital, in particular to help pipeline projects that businesses are creating. I want to see as much of that happen as possible during this year. However, as members might appreciate, the Government has challenges to manage across a lot of different areas and portfolios. They will also appreciate what the balance between capital and revenue can mean for the overall budget of the Government.

Therefore, the more opportunities that there are for fiscal flexibility for the overall Government budget, the more opportunity it would provide me—as economy secretary—to use capital availability to invest in and support the pipeline of jobs that we understand are available for investment. That is the bit of flexibility and adaptability that we have to be agile on during this

year. However, to some extent, that helps the Scottish Enterprise's position.

The Convener: That brings us to the end of the public part of this meeting. Thank you to the cabinet secretary and her officials for joining us today.

12:33

Meeting continued in private until 12:53.

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