OFFICIAL REPORT
AITHISG OIFIGEIL

Economy and Fair Work Committee

Wednesday 5 February 2025

Session 6

The Scottish Parliament
Pàrlamaid na h-Alba

Wednesday 5 February 2025

CONTENTS

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ECONOMY AND FAIR WORK COMMITTEE

5th Meeting 2025, Session 6

CONVENER

*Colin Smyth (South Scotland) (Lab)

DEPUTY CONVENER

*Michelle Thomson (Falkirk East) (SNP)

COMMITTEE MEMBERS

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)
*Murdo Fraser (Mid Scotland and Fife) (Con)
*Jamie Halcro Johnston (Highlands and Islands) (Con)
*Daniel Johnson (Edinburgh Southern) (Lab)
*Gordon MacDonald (Edinburgh Pentlands) (SNP)
*Lorna Slater (Lothian) (Green)
*Kevin Stewart (Aberdeen Central) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Kate Bryson (Scottish Government)
Kimberley Daly (Scottish Government)
Kate Forbes (Deputy First Minister and Cabinet Secretary for Economy and Gaelic)
Anne-Marie Martin (Scottish Government)
Rob McConnell (Scottish Government)
Ivan McKee (Minister for Public Finance)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy and Fair Work Committee

Wednesday 5 February 2025

[The Convener opened the meeting at 09:30]

City Region and Regional Growth Deals

The Convener (Colin Smyth): Good morning, everyone, and welcome to the fifth meeting in 2025 of the Economy and Fair Work Committee.

Our first item of business is the final evidence-taking session in our inquiry into city region and regional growth deals. I am pleased to welcome this morning's panel. Kate Forbes, Deputy First Minister and Cabinet Secretary for Economy and Gaelic is joined by Scottish Government officials Kate Bryson, head of east and west of Scotland growth deals; Kimberley Daly, head of Highlands, islands, Edinburgh and south of Scotland growth deals; and Anne-Marie Martin, deputy director for regional economic development.

As always, I ask members and witnesses to keep questions and answers as concise as possible. I invite the Deputy First Minister to make a short opening statement.

The Deputy First Minister and Cabinet Secretary for Economy and Gaelic (Kate Forbes): Thank you, convener. I thank the committee for inviting me. It is a pleasure to be here to discuss city and regional growth deals, which I think have been one of the most successful economic interventions that we have seen over the past few years. Of course, each of the deals is a tripartite agreement between the Scottish Government, the UK Government and local authorities.

As the committee will know, the growth deals align significant long-term funding with shared objectives for regional economies. There is a suite of projects and programmes that are designed to deliver on those objectives at a practical level. We have committed more than £1.9 billion to regional growth deals across Scotland. Taking into account the UK Government's support, a total of £3.4 billion of investment has been committed over a 20-year-period, £1.1 billion of which has been paid out so far.

Every growth deal is uniquely aligned with local circumstance and identifies priorities such as building infrastructure, innovation and the provision of key assets and skills to stimulate economic growth. The projects that are supported through the deals have been selected, designed and delivered by local authorities and other regional partners that know their areas best. That ensures local decision making, which is in the best interests of communities.

The deal partners work on a wide range of themes that are designed to capitalise on specialisms, resources and specific niches. Among the innovation projects that are supported by the deals, which the committee will be aware of, are the National Robotarium, the Bayes centre and other data-driven innovation hubs in Edinburgh and the south-east of Scotland. The people who are involved in those projects are working at the forefront of artificial intelligence and data science to create future industries and high-value jobs.

The dairy nexus in Dumfries supports innovation and decarbonisation in the dairy sector. The shell-volution project, which is part of the islands deal, is working with industry to boost the sustainability and yield capacity of the mussel-growing sector in Shetland.

The infrastructure projects that are supported by the deals include a number of affordable housing developments. There are transport projects that are improving connectivity for people in rural areas. For example, the bus revolution project in the Moray deal is creating an Uber-style on-demand bus service that people in that rural area can access.

Skills projects that are supported by the deals work to tailor and target support at people who are furthest from the labour market. For example, the integrated regional employability and skills project in the Edinburgh and south-east Scotland deal has helped more than 7,000 people to find or keep jobs since its establishment in 2019.

As part of the islands deal, we will see the redevelopment of the University of the Highlands and Islands Outer Hebrides campus and the opening of the Creed hydrogen skills facility.

Those are just a few of the growth deal-supported projects, which I chose for my opening remarks to illustrate the breadth and variety of the deal projects.

One of the core strengths of the growth deals is their long-term approach, which is to be commended. The other core strength is the partnership approach that they have created and facilitated. As I have said previously, I think that that partnership approach, which involves different local authorities and the Scottish and UK Governments working together towards common goals, is unique. It has stood the test of time, regardless of the politics of the day. Such a partnership approach will always have its challenges in terms of the complexity that it can, at times, add to governance processes and we continue to explore those matters with the UK Government. However, at the end of the day, the range of organisations that are sharing resources and working together for the benefit of regional economies and communities is a really impressive feature of the deals and I have often thought that that is a model to be replicated in other projects.

As I reflect, I am struck by how much has been delivered through strong and sustained partnership. I am very happy to answer questions on anything specific. On our way here, I was speaking to the officials and we commented on the fact that it might be challenging to have in-depth knowledge about every single aspect of every one of the 200 or so projects, but we will do our level best to answer all of the committee's questions.

The Convener: Thank you very much, Deputy First Minister. I am sure that we will do our best to find the in-depth knowledge that you have of all the growth deals.

You talked about the success of the deals and gave a number of examples of the projects that are being delivered. Could we not have delivered those projects and that success simply by using existing structures, such as enterprise agencies and councils? Why did we need to add an additional structure to what is quite a cluttered landscape?

Kate Forbes: The short answer to your first question is no. What we needed to make the projects the product of a partnership between the UK Government, the Scottish Government and local authorities was a new governance structure. Of course, each project, whether on transport or housing, could probably have been delivered within existing structures, but we would have lost the added benefits that came from local authorities having to work together, from the Scottish Government and the UK Government working together, and from the Scottish Government and local authorities working together.

Essentially, all the national bodies are working together within an agreed common governance arrangement to deliver specific projects. If you were to isolate each project and ask whether or not we could have delivered it, by and large, with a few exceptions—for example, where things are within a reserved space or benefit from being within a reserved space in terms of the UK Government's involvement—they could have been delivered. However, the real strength of the growth deals is the way in which they have brought different partners together and compelled us to work collaboratively. In and of itself, that is an inherent advantage.

The Convener: Apart from delivering projects—that is the nature of the deals; it is probably the most significant thing about the deals—a number of people, including you, have talked about partnership. Can you think of any tangible benefits of those partnerships, over and above delivering projects? What does partnership bring to the table?

Kate Forbes: The advantage that I immediately see is that partnership establishes greater financial power behind projects. Each partner has committed a budget that is significant for that partner, and if you pull those commitments together, you end up with a budget for each project that can do something really significant and substantial.

Does anyone have anything to add?

Anne-Marie Martin (Scottish Government): One of the key things about partnership working is cohesion and the ability to plan in the long term. It delivers an environment in which decisions can be made collectively and in the round—for example, where projects complement each other or where there are dependencies. When you have lots of little individual projects, you do not necessarily have good visibility of how they would interconnect or interplay with each other.

That bringing together of parties to do a project as a collective makes a big difference in terms of efficiency. It is a "sum of the parts" type of argument. Individually, the projects may have happened, as the Deputy First Minister said, but they may not have happened as quickly or in a way that was as cognisant of the rest of the operating environment and what was going on. The partners can also learn through that process.

The Convener: The timing issue is important. Evidence to the committee has suggested that the Glasgow city region city deal, which was the earliest deal, appears to have had a lot more autonomy than some of the more recent deals when it comes to making decisions on the scope and outcome of projects. The evidence that we have taken is that the Scottish Government's assessment process is holding up the current deals. Why does it appear that the process has slowed for the newer deals? What has changed?

Kate Forbes: With regard to how the projects have evolved, there are differences in the approach to each of the deals. Different partners learned lessons from what worked in the earliest deals and then applied those lessons to other deals. With regard to due diligence, from the beginning, we have, by and large, operated to Treasury green book standards.

There are unique elements to each of the deals. For example, we are working with the Ayrshire growth deal because it had challenges with some of the original proposals. We are collaborating with it now. We are awaiting its proposals for what the UK and Scottish Governments will go on to fund.

It is very difficult to make generalisations about all the deals, because there are many unique elements to each deal. However, in terms of general principle and due diligence, operating to Treasury green book standards has remained the same.

I will rely on officials a little bit more than I normally would, because this has been a multiyear process. I do not know whether Anne-Marie Martin has anything to add.

Anne-Marie Martin: Kate Bryson can come in on Glasgow specifically.

Kate Bryson (Scottish Government): I just want to provide the convener with reassurance. There is a slightly different model in Glasgow, because it was part of the first cohort of deals, along with some deals in the north of England. However, it still follows the same green book process. All business cases and all investment, including all Government investment, through the deal still goes through the green book process, which is the same process that is used across the Scottish deals.

Glasgow also has a model whereby it is reviewed independently via a five-yearly gateway process. Shortly, in March, it will be part of a second gateway process, because it is moving into its 10th year. It has an additional level of scrutiny over and above some of the other remaining 11 deals in Scotland, because it was part of the first cohort of deals.

I reassure the committee that the level of governance and green book compliance for all investment across the deals in the Scottish programme is consistent.

The Convener: I appreciate your explanation on the Glasgow deal.

You reject the evidence from groups that the process seems to have slowed compared with early deals. Cabinet secretary, what is your response to the evidence that we have had that the process is far too lengthy and is holding up deals? I will give an example. The Borderlands inclusive growth deal was signed off by the Government and the business case was approved in early 2023. One particular project has been sitting with the Scottish Government. For the past 18 months, it has been going back and forth, with lots of queries on it. That project is now delayed, and there are issues around rising costs and about various other things.

We are getting feedback that the process is very lengthy and is holding up projects.

Kate Forbes: There is absolutely no appetite from us for things to take longer than they need to. When you are primarily dealing with three different collaborating organisations, there is an added element to governance and to getting agreement.

I will ask Kimberley Daly to talk specifically to the Borderlands.

Kimberley Daly (Scottish Government): May I ask which project you are referring to, convener?

The Convener: It is the marine natural capital project that Solway Firth Partnership has been working on.

Kimberley Daly: A range of experts look at all the projects to make them as strong as they can be. That work combines the expertise of a number of areas in both Governments, local authorities and local partners.

The process for getting the projects approved depends on the quality of the business case that comes forward and on how complete it is. It is always an iterative process—we always get back with comments when there are gaps in the information that is provided to enable us to see that the project is valuable and viable—but I am not aware of it being 18 months for that particular project.

09:45

The Convener: The detailed business case was submitted in August 2023. How lengthy is the assessment process, from the signing off of the business case to the final agreement from the Scottish Government? I have read somewhere that it takes 12 weeks, but that one seems to have taken quite a few months.

Kimberley Daly: It depends on the strength of the business case that comes forward. If there are gaps in it, we need to ask the local authorities and the partners to address them to ensure that the project is as ready for delivery as it can be. We have previously turned it around in a few weeks but it really depends on the quality of the information that is provided to us.

The Convener: Has there been no feedback to Government from deals expressing concerns over the length of time for final assessments?

Kate Forbes: On our engagement with each deal, I met a local authority just last week that is working on a number of proposals as part of its growth deal. The conversation was about the strength of the proposal and the additional information that we need.

Constant, on-going discussion takes place with local authority partners. Apart from one, we—and the UK Government—have largely agreed on the financial commitment. We need the deals to be successful. Obviously, a prioritisation list is agreed as part of the growth deal but we need it to progress as quickly as possible—we have zero interest in anything taking longer than it needs to. I would like things to be delivered as quickly as possible.

I guess that there is often equal and opposite feedback on those occasions. We must operate to Treasury green book due diligence standards—we cannot just agree to something unless there is a full business case that answers all the queries. It is in not just our control but that of the UK Government.

My challenge is that the feedback goes both ways. When all partners believe that something is not moving at the pace that it should, we can get round the table pretty quickly and say, "We need additional information here." They will come back to us and say, "Can you respond to us in a shorter period of time?" It is a discursive process. It is not a case of each of us inhabiting our own spheres and not communicating.

That is just to give you a flavour.

The Convener: I might come back to you on the specific example, because the concern was that some of the queries that were asked several months down the road could have been asked at the very start of the interaction.

The cabinet secretary mentioned the Ayrshire growth deal, so it is only appropriate that I bring in Willie Coffey.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Good morning. The Ayrshire growth deal's annual report that was issued in November shows that there has been a drawdown of only 8 per cent so far on both Governments' commitments. Of that 8 per cent, 70 per cent is for one project. Does the Scottish Government consider that to be good progress, five years into the programme?

Kate Forbes: No, is the short answer. I will ask colleagues to come in on that in a moment. I do not want to keep using the word "unique", but the Ayrshire growth deal has been through a uniquely challenging time, for reasons outwith the control of any of the tripartite partners. We are currently awaiting formal proposals from the local partners on precisely where funding that has been released because of initiatives that did not proceed as hoped can be redeployed.

The discursive process that I outlined to the convener is precisely what we are engaged in right now. Last week, I engaged with one of the chief executives on proposals. As soon as we have the full business case on those proposals, we can proceed. I am also in discussion on the issue with the Secretary of State for Scotland.

I do not think that any of the partners would have hoped to be in the situation that we are in right now, and the commitment now is to try to get clarification on the new projects and provide investment for them. As Willie Coffey will know, there is no shortage of appetite to invest in Ayrshire right now. Kate, is there anything that you would like to say specifically on Ayrshire?

Kate Bryson: Unfortunately, two of the early-win projects that were going to happen in the Ayrshire deal and that would have drawn down funding in the earlier years, were not commercially viable for a number of reasons. That is no fault of the Ayrshire growth deal partners, which have been working for the past year on reviewing other commercially viable projects. North Ayrshire Council and East Ayrshire Council have managed to conclude that process and South Ayrshire Council is concluding it at the moment. That lets them almost reset the deal to ensure that the money that we have confirmed with them—the £206 million overall for the Ayrshire growth deal—remains committed.

They have six more years of the deal in place, and we want to ensure that the projects that they take forward are commercially viable and make the best use of the funding for the region.

Willie Coffey: Thank you. The project list shows 18 projects in the Ayrshire growth deal. Two of them, we know, have been dropped. There are another 10 that have not drawn down a single penny in five years. That is more than just a problem of two projects having to be dropped; that suggests to me that there is a wider problem.

This is one of the few opportunities that a parliamentary committee gets to scrutinise the growth deals. As you know, we do not have a formal scrutiny role—we are not part of the partnership boards and so on. Do you think that we need to revisit what the scrutiny picture looks like, to give the Parliament, its committees and its members an opportunity to have some involvement in and oversight of progress?

Kate Forbes: I will answer the scrutiny point, and then others might want to come in on Ayrshire growth deal projects.

Governance arrangements are built in. To go back to the convener's opening question about additional structures and whether they are required, the purpose of those additional structures is accountability and scrutiny, including being able to share the scrutiny across the different partners that are involved.

The point was put to me the last time that I was at committee, so I appreciate that the committee has an appetite for scrutiny. That is absolutely right, and there is an opportunity for scrutiny, particularly of the Scottish Government. However, it is quite obvious that, where local authorities are involved, MSPs do not have a duty of scrutiny over them, nor do they have a duty of scrutiny over the UK Government. The additional governance was therefore built in to deal with the fact that the arrangement covers three jurisdictions.

Kate Bryson: The Ayrshire deal is reviewing the number of projects and there is some amalgamation of projects. Some of the digital projects, in particular, are unviable alongside the spaceport activity.

It is also important to flag that the amount drawn down is not reflective of the amount of work that the Ayrshire deal is progressing on the projects that have not yet secured a full business case that would allow them to draw down funding. There is an awful lot of work going on behind the scenes on other projects in the Ayrshire deal that are not changing and will secure drawdown in the future.

That total drawdown-to-date figure is not reflective of the preparatory work and feasibility work that is going on in some of the other projects that will draw down in this year. I am thinking of the Great Harbour project in Irvine. There has been a lot of success with the community wealth building project and with some of the resource projects in the Ayrshire deal. There is a lot of work still to do—I appreciate that from the figures—but a lot of preparatory work is taking place to help to safeguard the delivery of the remaining funds for the last six years of the deal.

Willie Coffey: Cabinet secretary, you kindly said that there is still a commitment to the funding if Ayrshire takes the time to redevelop and repurpose some of the project ideas. When I put the same question to Ian Murray three weeks ago, he said:

> “There is no threat to that funding at this moment in time.”

We can take from that what we will. However, he also said:

> “with every week that passes, the funding becomes smaller, because of inflation”.—[*Official Report*, *Economy and Fair Work Committee*, 15 January 2025; c 14.]

Is it reasonable to expect that funding pot to sit unused and untapped for such a prolonged period, with the progress that has been made?

Kate Forbes: As we have outlined, that funding is committed. I challenge the point about inflation being an issue only for Ayrshire; it has clearly been a challenge for projects in every growth deal, particularly those that are in the throes of construction, because that sector has been hit with challenging hikes in inflation and the cost of materials. We have grappled with inflation right across the country.

I appreciate that the past few years have been difficult for the Ayrshire growth deal, but I am really excited about what might happen next. In relation to replacement projects, a lot of things are still commercially sensitive, but this is a hugely exciting moment for Ayrshire, because it is aligning all its collective interests around new proposals.

As you know, I visited Ayrshire College a couple of months ago. I was absolutely blown away by the number of businesses and developers investing in the area, by the college’s ambitions and by how integrated all the partners are.

We are very much in the midst of discussions, so I cannot divulge what might happen next, although I am sure that Willie Coffey is quite familiar with some of the plans. If we can get to the point at which everything is agreed—the UK Government has an appetite for moving at speed, we want to move at speed and I know that local authorities want to do so, too—this will be huge.

Willie Coffey: My final question is on AI. You mentioned the AI National Robotarium project in Edinburgh, which is a growth deal project. Allied to that is the exascale computer project, which was not part of the growth deal but is closely aligned to the whole project concept in Edinburgh. We also asked the Secretary of State for Scotland about that three weeks ago. Everyone’s understanding was that that investment was earmarked for Edinburgh, but he told us that, when his Government came into office, there was “no money” behind that project whatsoever. We are talking about £900 million of investment for that supercomputer in Edinburgh.

However, the secretary of state did not tell us that the project has been shifted to Oxford. In the past three weeks, we have discovered that the supercomputer is being built but that it is being built in Oxford. Last week, it was announced that there would be about £78 billion of investment in the Oxford to Cambridge growth corridor, and I presume that that investment will encompass funding for the exascale computer. Have Edinburgh and Scotland been short-changed by those decisions?

Kate Forbes: I know that there is a lot of disappointment in the University of Edinburgh, among other stakeholders and in the Scottish Government about the failure to deliver the promise of the supercomputer. The project would make a huge difference in Scotland and would sit at the heart of the university’s ambitions, so I strongly urge the UK Government to honour the commitment that was made to Edinburgh.

Willie Coffey: The convener talked about different models of providing money to areas in the UK. Is the £78 billion of investment, in effect, a new growth deal, but for the Oxford to Cambridge corridor?

Kate Forbes: I am unfamiliar with the intricacies of the Cambridge to Oxford corridor, so I cannot comment on that. However, I know that the Edinburgh and south-east Scotland city region growth deal—perhaps uniquely among growth deals—focused on data-driven innovation, technology and job creation through the inherent strengths of our universities and colleges. A supercomputer would sit at the very heart of that. I am ambitious to see as much funding invested in Scotland, and in Edinburgh, as possible.

Willie Coffey: Thank you.

The Convener: Daniel Johnson has a supplementary question.

10:00

Daniel Johnson (Edinburgh Southern) (Lab): Further to that, my understanding is that the exascale computer is still part of live discussions. I was discussing the issue just yesterday with the principal of the University of Edinburgh. I want to confirm whether that is the Deputy First Minister's understanding. Is it also her understanding that that decision will be made in the spending review, which we expect in the summer?

Kate Forbes: That would be great news. I am unaware of that, so I will take the member's comments on board. I am not familiar with that, but we all very much look forward to the spending review. If that is the university's understanding, that is great. It does not appear to be the understanding of some of the stakeholders in and around the university, but I imagine that we all await an update.

Daniel Johnson: To clarify, it was the Secretary of State for Scotland who said that the decision would be a feature of the spending review.

Kate Forbes: Okay.

Daniel Johnson: Although an announcement has been made about the development in Oxford, that is not in place of the exascale computer in Edinburgh, which is still under consideration. Given that the Deputy First Minister is taking such a keen interest in the issue, has she had dialogue and discussions on the importance of the exascale computer and, more broadly, the spending review?

Kate Forbes: Obviously, I have raised those matters with the UK Government—I believe that I did so as recently as about a month ago, in written correspondence. To my knowledge, I do not have any extensive update beyond what the member has shared today but, on behalf of the committee and others, I will happily pursue further information. I certainly do not appear to have anything that is rock solid, so I thank the member for that.

Kevin Stewart (Aberdeen Central) (SNP): Good morning. We have heard evidence that the governance and set-up of city and regional growth deals were really arranged to suit English combined authorities. You said that there are unique elements to all the deals here and that things have been shaped by local circumstances. We have some very different governance situations. Glasgow has the political leaders cabinet and, in the north-east, there is an element of public-private governance. Has the Government looked at what has worked best, what has worked well and what we can learn about what might need to be done in future?

Kate Forbes: We cannot unilaterally make any changes to deal governance; that has to be done in consultation and collaboration with the UK Government, because the governance structures were defined in partnership with it. We are currently working with the UK Government to consider whether we could further streamline deal governance, and it might be useful if my team provided an update on that work. However, by and large, as deals have evolved from the early ones, we have learned lessons and made changes as a result.

We have annual conversations to discuss progress, which are informed by each of the city region deals' annual performance reports. Ultimately, it has been an iterative process. We have the Scottish city region and growth deal delivery board, which is a partnership between the UK and the Scottish Governments. The primary responsibility of that board is to provide assurance and advice to ministers on all the deals. There is that structure that sits above all of them.

Kevin Stewart: Is best practice shared through that board, too? Is there any overview of which projects have worked and which have not? I do not know whether I coined this or whether somebody else did, but it has been said that, often, the projects are not the people's priorities per se. There is reasoning behind them, but they are not necessarily the people's priorities. How do you take an overview of all that and ensure that best practice from some of the older deals is brought to bear on some of the newer ones, such as the Ayrshire deal and, indeed, the Argyll deal, which is about to come on stream?

Kate Forbes: I will separate the question of whether the deals have performed well from that of how we establish governance structures.

In terms of performance, the fact that these are long-term strategic programmes means that getting a quicker evaluation is less important than the longer-term benefits that are being delivered. However, built into the governance structures is a constant, on-going evaluation of what is and is not working. Where it is determined that changes are required, as in the case of Ayrshire, we can implement them. Indeed, changes have been made to the Highland growth deal, too, and there are other such examples elsewhere.

You talked about local people. Ultimately, local authorities are responsible for proposing, developing, delivering, monitoring and maintaining the projects that are supported via their growth deals. Those functions are then overseen by the formal governance structures, which oversee the delivery of deal programmes by regional partners. That work is still led by local authority partners. In each deal, there is an accountable body—that is, a local authority that is accountable to the Scottish Government for the use of growth deal funding—and we manage that funding on behalf of both Governments.

That is the structure that sits around it. It is not really for me to say whether the deals reflect the people's priorities, because they have been agreed by local partners, who I expect will be responding to local demands.

Kevin Stewart: I think that we all expect that, but I do not know whether that is what we are necessarily getting at points.

We have a situation where all the deals are different. Some, such as Glasgow, with its structure, are now a decade old. The growth of the Aberdeen city and shire deal has been somewhat unique, because it grew from an existing forum—the Aberdeen city and shire economic forum, which became Aberdeen city and shire economic future—and there has been a lot more input from the private sector. As with the Edinburgh and south-east city region deal, there is a focus not so much on infrastructure but on jobs for the future and projects that would create those jobs.

I am keen to see input from all the deals so that we come up with projects that ensure economic success not just today but for a lot of tomorrows. Do you think that we have learned enough about what has happened in the Aberdeen deal, the growth of which has been organic, when it comes to even the new deals such as the one for Argyll?

Kate Forbes: The Aberdeen deal is absolutely brilliant in its focus on innovation and, essentially, on transition, as it has been about creating new jobs. From the Net Zero Technology Centre and the BioHub to the approach to digital infrastructure and so on, it has really focused on making Aberdeen the capital of innovation. There is a lot to learn, and I agree with you that there is—to overuse this word again—a unique element to Aberdeen, in that it feels like there is private sector ownership. That is replicated in some of the other deals, but it is particularly noticeable in Aberdeen.

That deal comes to an end in 2027, at which point we will be able to look back and reflect on all that has been achieved. That is not the only investment that is being made; investment is also coming through the north-east and Moray transition fund, as well as through other specific transport initiatives. There have also been funding extensions. If I have answered your question accurately, that would be my short answer.

Kevin Stewart: You talked about more ownership by the private sector. Equally, I am sure that, from the briefings that you have received, you will have seen that there has been much more private sector investment in that deal. That multifaceted ownership probably means that folk are more willing tae put their hands in their pooches, as we would say in the north-east, to help to fund some of those projects. Without a doubt, we should all be looking at and learning from that.

You said that that deal is due to come to an end in 2027. What is the next stage for city region deals? Can we expect an Aberdeen city and shire deal mark 2 to appear in 2027, when the current deal ends?

Kate Forbes: On private sector involvement, Opportunity North East is a key signatory to the deal and therefore has a seat at the deal's joint committee. It has played a significant role not only in co-ordinating but in investing in the projects.

On the future of deals, the Government is very open to discussions about what comes next. We have started conversations with the UK Government on that, and we are aware that it is actively considering that question. The test will be whether each Government can keep the other well informed about its thinking on the next phase of local growth plans.

Although the Aberdeen growth deal will shortly be coming to a conclusion, we are only halfway through the 20-year deals programme, with two of those deals moving into delivery only in this coming year. We cannot lose sight of the need for effective delivery of the current deal commitments and the need to continue to maximise value for money. However, the tripartite model of the growth deals has been absolutely brilliant. Anyone who has an interest in how economies perform well in small independent countries will see that a key element is when there is long-term agreement among lots of different partners on what success looks like. To an extent, the growth deals are the first time that we have had something like that: long-term agreement among different partners. That is an excellent model going forward.

Kevin Stewart: I do not think that anybody would disagree that partnerships help to make things work.

You talked about the tripartite agreement between the UK Government, the Scottish Government and local authorities, but I think that, based on the discussion that we have just had, we can grow that even more to become a quadripartite agreement that also involves the private sector. That would ensure that we are maxing out private sector investment as well as public sector investment, which has happened in the north-east of Scotland. Do you think that that should be the ambition for the future?

10:15

Kate Forbes: Yes. The regional partnerships that we have across the country were reinvigorated partly because of my engagement with Opportunity North East, which has delivered so much by working collaboratively with the private and public sectors with a joint commitment to job creation and so on. There is no shortage of opportunities to continue to do that in the north-east—think of the energy transition zone, the investment zones, the need to invest in the energy transition and the Acorn project. There is a lot of potential for investment, which will require close collaboration. We know that we can do that, based on our experience with the growth deal, and we know that we have willing, capable and resourced private sector partners that can do that.

Kevin Stewart: I could ask a lot more questions, but I will bring it to an end.

Gordon MacDonald (Edinburgh Pentlands) (SNP): Good morning. My questions are about finance and funding. I have found it difficult to identify how much local spend there has been by looking at some of the city deal annual reports. The Edinburgh and south-east Scotland annual performance report is good, as it highlights that 80 per cent of its labour spend and 82 per cent of the overall spend have been spent locally. In other city region deal annual reports, there is no mention of local spend or the number of local jobs that were created. Bearing in mind that city growth deals are a mechanism for growing the local economy, what guidance has the Scottish Government issued to encourage the deals to use local supply chains and local companies?

Kate Forbes: Funding is monitored through rigorous governance frameworks. Section 95 officers in local authorities verify the eligibility of claims and ensure compliance with deal agreements. There are regular financial reports from accountable bodies, which are viewed by Scottish Government officials to track expenditure, milestones and progress. An annual statement of compliance is agreed as a condition of the grant that is released annually. As I mentioned, the city region and growth deal delivery board includes representatives from the Scottish Government and the UK Government to oversee deal progress, so we evaluate all of that.

Kimberley, do you want to respond on spend on local supply chains?

Kimberley Daly: Approximately 85 per cent of the spend from the Inverness and Highland city region deal has been retained in the Highlands and Islands. As Mr MacDonald highlighted, in Edinburgh and south-east Scotland, 82 per cent of the spend and 77 per cent of the labour has been local. In Glasgow, £147.6 million of infrastructure spend has gone to local companies. We have that information. If it is not as visible as it could be, we will certainly work with partners to ensure that it is included in future annual reports. Those three deals are more established and we have a lot of that information. We will ask for similar information from other deals that are getting projects off the ground.

Gordon MacDonald: It would certainly be helpful for that information to be available in the reports. Currently, it is not as explicit as you have stated, other than in the report on the Edinburgh and south-east Scotland deal.

You have touched on the impact of inflation on every city deal. In most of the deals, the heads of terms were agreed prior to 2021, although they were not all signed. At that time, inflation was around 1.5 per cent. It then crept up to 10 per cent at the tail end of 2022, which had a major impact on what can and cannot be delivered. However, Scottish Government funding is fixed, as is UK Government funding. How do we achieve what the deals originally wanted to do? Have you been approached by any of the growth deals requesting additional funding?

Kate Forbes: Inflation has undoubtedly had a massive impact on the projects, particularly the infrastructure projects, and it has impacted on budgets. We manage those challenges through collaboration with all partners to reassess budgets and identify efficiencies. When significant changes in project design are identified by regional partners, they are assessed through a formal change control process. Significant project changes would require ministerial clearance to ensure alignment with the original objectives for each deal, which is what we are going through with, for example, Ayrshire.

I ask my officials whether any of them wants to come in with specific examples. I know that we have a few.

Kate Bryson: I will refer to Glasgow, because I know that people from that deal came to the committee to give evidence. In 2022-23, a review of the wider Glasgow programme was done to assess the viability of the programme that was still to be developed and to understand the impact of inflation. Although a budget for inflation in project costs is covered when the deals are signed, that obviously was not going to take into account what happened, particularly given that the inflationary impact on the Glasgow deal is compounded by the length of the programme.

That review assessed the viability and, with ministerial approval, Glasgow was able to secure funding for the environments within the programme. Funding that was previously aligned to the Clyde metro project was used to secure viable projects—what we might call inflationary top-ups were used to safeguard the projects that were most affected in the Glasgow deal.

That is just one example. There have been other examples in the north-east and Tay deals involving funds from the enterprise agencies or other Scottish Government funding such as just transition funding. There are examples of local authorities and their partners pulling together available external funding sources to ensure that projects continue, alongside taking standard approaches such as value engineering, the phasing of projects and looking at retrofits as opposed to new build. Partners have been doing a whole suite of things to tackle the challenging inflation situation.

Kimberley Daly: Tackling inflation does not always need to mean the de-scoping of projects. There are examples of local authorities being very innovative in their approach to delivering the same outcomes, but through slightly different and more cost-effective models. For example, there were originally plans for a number of hubs in science, technology, engineering and mathematics learning, but they have changed to having a few hubs and a mobile outreach that enables them to reach more rural areas and deliver more cost effectively. There are examples of good innovative working in local authorities to manage the new cost-inflation environment.

Gordon MacDonald: One of the things that Kevin Stewart picked up on was the need for private partners. All the annual reports talk about what the deals are trying to achieve. In fact, the Glasgow city deal says that it will

"Lever in an estimated £3.3 billion of private sector investment to support the delivery of the projects".

How is achieving that leverage measured, given the pressure on the budgets from inflation? I know what you have said about value engineering and how we are dealing with the issue, but are we still going to achieve the leverage from the private sector that we expect to achieve? How is that being measured and reported?

Kate Bryson: The Glasgow intelligence hub is a dedicated unit that tracks those sorts of targets. The £3.3 billion leverage figure was assigned at the very start of the deal, along with the jobs targets, and it is something that continues to be tracked.

As the deal progresses—and it is now moving into the second phase, with the deal having its 10th anniversary this year—that is something that people will still want to track. However, they are still confident that the investment can happen. We have certainly not been alerted to any suggestion of anything different, but, as has been mentioned, some of the projects have changed, and we would encourage such change to secure investment as we move forward.

The issue is continually tracked, and it is part of the gateway reviews that I alluded to. Glasgow has a five-yearly gateway review process, and that is one of the key indicators that is tracked as part of that.

Gordon MacDonald: We touched on this earlier, but my final question is on what happens next. You said that you had started discussions with the UK Government. How concerned are you about funding for future growth deals, bearing in mind that, in September 2024, the UK Government paused the funding for the Argyll and Bute deal? The funding has since been reinstated, but it was paused. Moreover, when Ian Murray was in front of the committee, he would not guarantee multiyear funding. How concerned are you about any new deals, given those two indicators, which suggest that they might not be possible?

Kate Forbes: Everything hangs on the UK Government's spending review. We were told in the autumn months that, when it came to anything multiyear—or, indeed, any big infrastructure or capital spend—it would all happen in the spending review. We await confirmation of what will be in that review. Prior to that, it will be very difficult for me to give any indication of what the UK Government might or might not do—or, indeed, what we might or might not be able to do. We desperately want to be in the position of giving multiyear certainty to partners, but in order to do that, we need multiyear certainty ourselves.

A number of commitments have been made to Scotland and to local partners, particularly in the north-east, where commitment to investment has been made. However, we have not had that investment completely confirmed yet, and we hope that it might be in the spending review.

Gordon MacDonald: Thanks very much.

The Convener: I call the deputy convener.

Michelle Thomson (Falkirk East) (SNP): Good morning. I want to pick up on the point that Gordon MacDonald raised and ask about something that has come up in the committee before and which, from a legal perspective, I explored with the Secretary of State for Scotland.

Both the Scottish Government and the UK Government might have a seat at the table; however, when I asked the secretary of state who the ultimate legal liability rested with, once commitments had been made, he confirmed that it rested with the Scottish Government. You might have a view on that, but what follows logically is that, if funding is withdrawn or paused by the UK Government vis-à-vis the spending review, if the Scottish Government, having made commitments, is on the rack from a legal liability perspective, that represents quite a significant risk. What risk assessment has been made of that by the Scottish Government?

Kate Forbes: Anne-Marie, do you want to take that?

Anne-Marie Martin: There are a couple of parts to that question. First of all, I want to circle back to what we said earlier about the board that is co-chaired by the UK Government and the Scottish Government. His Majesty's Treasury sits on and is a member of that board, too, and it has full visibility of the totality of the commitments that are being made and which have the strength of a signed legal commitment behind them. That deal has been signed by both the Scottish Government and the UK Government, so I do not think that there is any misunderstanding with regard to the extent to which the existing deal commitments need to stand.

As for your point about the Scotland Office, which is our counterparty in the governance process, it was not at the time a spending department. Therefore, the money, including UK Government funding, flows directly from HMT to the Scottish Government, and we are the accountable body for discharging all of that funding to local government.

Technically, there probably is a question around the accountable body issue, but the fact that there is joint governance by both parties, with HMT on that board, means that there is no dubiety or uncertainty on the extent to which the legal commitments will be honoured, as they are signed by both parties.

10:30

Michelle Thomson: So it is a risk to monitor, rather than a risk of significant concern.

Kate Forbes: The most significant risk is about the budget. Because the money flows through us, we have to manage the projects across years. Although the process is managed by a distinctive governance arrangement, at the end of the day, the money still all goes through our budget. Therefore, if projects sit between years, are impacted by inflation or are delayed, we still have to manage those financially. That is also the case where there has been a realignment of budgets—where a formal request has been made from a partner for budgets to be allocated to different projects. That is probably the most significant risk that rests on our shoulders, although it is no different from any other financial risk that we have. We still have to balance our budget, irrespective of what is happening with local projects on the ground, particularly the bigger infrastructure projects.

Michelle Thomson: I have one more point on that. We talked earlier about Rachel Reeves's announcement on Wednesday about the AI corridor. It struck me as somewhat ironic that she made an announcement that the green book would be looked at with a view to ensuring that there is not a dominant focus on projects in London and the south-east, while at the same time she announced that the UK Government wants to create an AI corridor and that she has centred Oxford at the heart of that, rather than Edinburgh, as we talked about earlier.

Have you had any further indication of what the implications of the green book changes might be for city region deals in Scotland?

Anne-Marie Martin: The green book is complex to navigate. The indication from the UK Government is in part a recognition that partners who are not based in the south-east area do not always see that the approach takes account of all the factors around benefits and the value that accrues.

However, how do we count value? Is it monetised, is there a benefit cost ratio, or is it something else to do with the policy impacts that we are trying to achieve? That would make complete sense, as the guidance on the green book already permits non-monetised benefits to be considered when looking at cases, and we do that with existing projects and projects that are coming through for the deals. There will always be a tendency to think, "What maths can I do?" and to use that metric, so any opportunity to ensure that the balance is correct in that regard is probably welcome.

There will always be a challenge where there are issues with, for example, lower population density or rurality, as those affect what the metric spits out when you do the calculation. However, where there is a clear rationale for a project intervention to address a policy aim such as tackling depopulation, ensuring equality or maximising the reach to those who are furthest from the labour market, we need to ensure that we can take into account the totality of the value that a project will deliver and not just that one monetised metric, which is often the easiest thing for people to look at.

I would surmise that that is partly what is behind that move—it is about ensuring that the guidance and the green book are clear on that aspect.

Michelle Thomson: That is a clear answer, albeit a technical one.

The point that I was making, which is perhaps more one for the Deputy First Minister, is that, despite the fact that the green book has been looked at—I accept what Anne-Marie Martin said about that—it seems somewhat ironic for the green book to be looked at with a view to removing the relentless focus on London and the south-east, only for there then to be a relentless focus, potentially, on the Oxford to Cambridge corridor without any awareness of the fact that there was already excellence in the extreme at the University of Edinburgh, to which money had been committed. That is potentially now back on the table, although the situation remains uncertain.

Kate Forbes: This committee will be more aware than any other of the exciting, ambitious initiatives that are happening right now in the Scottish economy. A report that came out last week identified the incredible strengths of each of our cities, which include fintech in Edinburgh, life sciences in Dundee and energy transition in Aberdeen. I could go on.

However, right now, pursuing growth involves investing in Scotland, because of the huge, eye-watering potential that exists. It is one of my great privileges to engage with the investors, the developers and the industries that are driving the pursuit of prosperity right across Scotland. Areas that have previously been left behind and forgotten have become the epicentres of much of that activity.

If I were delivering—as the Chancellor of the Exchequer did last week—a speech to reset the pursuit of prosperity and growth, I would be talking about investing in Grangemouth and focusing effort on Grangemouth as part of our industrial heartland. I would be talking about investing in our financial services and our energy transition. I would be talking about reducing the hurdles for developers who are pursuing green projects. That is what I would be focusing on.

Last week, the primary reference that was made to Scotland was in relation to an infrastructure project in London and the south-east—a third runway for Heathrow. It is true that a lot of whisky and salmon goes through Heathrow, but I would like to see it go through Scottish airports and ports. I would like to see investment in that. As a devolved Government, we have an opportunity to invest our capital—we can invest between £5 billion and £7 billion of capital per annum—but a lot of the levers around financial services, energy, grid connection and all the other things that developers and investors highlight to me as being their primary cause for concern are within the gift of the UK Government.

There is a huge opportunity to pursue prosperity and growth in Scotland by focusing on Scotland and putting Grangemouth at the heart of that.

Michelle Thomson: Thank you very much for that comment.

I have one tiny question about small and medium-sized enterprises and women-led businesses. Obviously, all the deals are entirely different, but it is not unfair to say that the argument about the need for a seat at the table for SMEs and a focus on women-led businesses—as you will know, that is an interest of mine—is not always heard. We recently took evidence from the Federation of Small Businesses and Women’s Enterprise Scotland, and the evidence on that was fairly mixed. Are you giving any guidance across the entirety of the city and regional growth deals on the need to keep a relentless focus on making sure that SMEs and women-led businesses get a fair share of the pie?

Kate Forbes: Across the country, there are different examples of how businesses are engaged with. In Edinburgh and south-east Scotland, we have the regional enterprise council. We also have the Borderlands economic forum and the Glasgow economic leadership board. They all bring together business representatives to ensure that local businesses are factored into decision making and management.

In Moray, businesses and third sector and community representatives have been involved from the earliest stages, and a business assembly has been established by regional partners. Alongside the growth deals are the regional economic partners. As I said to Kevin Stewart, their role was reinvigorated partly as a result of how inspired I was by what was happening in the north-east. Therefore, it is fair to say that different parts of Scotland are at different stages in engaging well with the private sector.

Involving women-led businesses requires specific attention in order to ensure that women are not left out of the business engagement work that I have just identified. That needs to be part of a much bigger commitment to engage with female-led businesses.

Michelle Thomson: Okay, thank you.

Murdo Fraser (Mid Scotland and Fife) (Con): Throughout this inquiry, we have heard a lot from different communities and stakeholders across Scotland. Generally, there has been a very positive message about city deals, what they have been able to deliver, the added value that they bring and all the projects that have come on board.

One of the things that the committee is interested in looking at is what happens next. Kevin Stewart and Gordon MacDonald both asked you about conversations that you have had with the UK Government. You said to Gordon that a lot of it “hangs on the UK Government’s spending review,” which we understand. However, in terms of planning ahead, has the Scottish Government had conversations with partners about the sort of projects that might form part of a phase 2 of the city deals? If you are in a discussion with the UK Government, being able to demonstrate that there is a pipeline of projects that might form part of round 2 of the city deals might be a useful argument to present.

Kate Forbes: It would be premature to be at that stage for the vast majority of the city and regional growth deals. I said in an earlier answer that we are halfway through a 20-year programme. Some of the deals are at the very earliest stages, and one has still to really commence. Therefore, we have to focus on ensuring that they are delivered, and delivered well.

Alongside the city and regional growth deals are other initiatives that are currently jointly managed, albeit to a lesser extent than happens under the governance arrangements of city and regional growth deals. Those initiatives are nevertheless important. The green freeports in Cromarty and Leith are examples of such joint arrangements. There are also the investment zones, which we expect the UK Government to sign off on in spring 2025. Glasgow city region and the north-east have engaged extensively with regional stakeholders to develop proposals for their investment zones.

Those two examples may not be badged with the terminology of growth deals, but they are still very much joint arrangements between the Scottish Government and the UK Government.

Murdo Fraser: Thank you, it is helpful to understand that.

I will ask a slightly different question, although it also looks forward. One of the things that we have learned about the growth deals is how they have been driven by regional working and regional economic partnerships. There have been some interesting developments south of the border, such as the rise of metro regions, which is seen as a major economic driver. For example, the creation of a metro region in Manchester has driven economic growth in a way that puts some Scottish cities to shame. What is the Scottish Government’s thinking around the growth of regions as drivers for economic progress?

Kate Forbes: I am very keen on the principle of having regional economic plans. One of the areas in the national strategy for economic transformation that has been less commented on is the reinvigoration of regional economic partnerships. Those partnerships developed regional economic strategies that brought together all the public sector organisations and, I would expect, the private sector as well to develop an economic strategy for their area.

It is up to the partnerships. What works well in Manchester is the fact that it is not being micromanaged by a UK Government minister. I suggest that the same should apply in Scotland. Any strategy should be locally or regionally led with the backing and support of the Scottish Government.

10:45

A couple of weeks ago, I co-chaired—with the Scottish National Investment Bank—a pitch from Highland Council working collaboratively with some of the key developers in its area. It was a joined-up pitch to investors about opportunities to invest in housing, infrastructure and so on. One individual who was at the table said that they were hugely impressed with the local authority and local developers having such a joined-up approach to investors. They said that they had never seen that before.

That joined-up, clear, agreed approach to pursuing investment worked in Manchester. It is entirely within the capability and the gift of local partnerships to do that. We have supported the establishment of the structure and are keen to see it work well.

Murdo Fraser: That was a very interesting answer. On the question of structures, a major factor in delivering the strategy successfully south of the border has been the metro mayors, who have the authority to drive it forward. Do our structures allow the political leadership at the local level to make that happen?

Kate Forbes: That live debate is one that I am really interested in. The difference in Scotland is that every constituent is probably represented by three or four councillors, seven or eight MSPs and one MP; that is a lot of representation—and that is before we start talking about the structures of local authorities.

I do not think that copying and pasting a model that works in England on top of the Scottish structure would work. There are ways of working with local authorities to empower and support them, but they have a lot of power to pursue matters, as I demonstrated in my example of Highland Council. I would much rather look at how we support local authorities to act with strong leadership, because it requires strong leadership. However, I am sceptical about copying and pasting an English model on top of the Scottish constitutional arrangement, because I struggle to see how that would work as effectively.

Murdo Fraser: We could do an inquiry just on that topic, which I find fascinating. However, I have gone slightly off topic, so I will leave it there.

The Convener: I will stick with that topic—it is interesting—but I will take a slightly different approach. You mentioned the number of elected representatives, cabinet secretary. The only area where representation is perhaps more cluttered is economic development. You talked about beefing up economic regional partnerships, you listed enterprise bodies such as the SNIB and the UK National Wealth Fund, and you mentioned possible investment zones, green ports and so on. Has consideration been given to using the forums that are in place—economic regional partnerships, for example—rather than replicating growth deal structures, or do you still think that both are relevant?

Kate Forbes: You are not comparing like with like. We have designated geographical areas in which businesses can access special—what is the term? I do not want to say tax breaks, but that is what I am trying to say. The word that I am looking for is reliefs. [*Laughter.*] They can access special reliefs, such as those that apply to, for example, land and buildings transaction tax and non-domestic rates, as well as enhanced capital allowances. That compels organisations to work together. However, when we look at the Inverness and Cromarty Firth green port—the chief executive of the company, Calum MacPherson, is doing an excellent job—and the Forth green port, they are essentially designated geographical areas, so I would not want them to get confused with—

The Convener: I was thinking more about regional economic partnerships, because it looks as if, in some cases, the boundaries are very similar. The Borderlands inclusive growth deal is a bit more challenging, because it includes Cumbria, but the boundaries are very similar. Do we need both structures?

Kate Forbes: The regional economic partnerships can deliver the investment zones and so on, so we are not comparing like with like. It should be the regional economic partnerships that establish the strategy in a local area and then bring in the partners that are required to deliver that strategy. They should be the forum in each area that brings in partners. You mentioned the National Wealth Fund, which will have a unique role. It is not the same as Scottish Enterprise or a local authority; it is very different—its role is to invest in opportunities. You need the regional economic partnership forum to bring together local partners to determine what the priorities are. I would distinguish between them.

The Convener: I am conscious of time, so I will bring in Lorna Slater.

Lorna Slater (Lothian) (Green): We have heard a lot of positive evidence about the benefits of all three levels of government working together on long-term, multiyear projects. To my mind, the city region deal projects sit broadly in two categories: infrastructure or community and innovation. Both types of projects have quite different business models, impacts and delivery processes, and it might make sense to manage them in different ways, instead of lumping them together under the same scheme with the same governance. What are your thoughts are on what city region deals are for, particularly if another tranche of those deals were to be on the table? Are they best suited for infrastructure or for innovation?

Kate Forbes: That is a great question. They are best for enabling collaboration. That does not directly answer your question, but what often holds up the delivery of projects that fall into either category is a failure to collaborate. What the deals do, in principle, is to break down the barriers to collaboration. It is almost like an up-front agreement of what everybody will do, and then they go off and do it.

I would be interested to hear my team's answer to your question, but I guess that, over the past few years, some projects were more straightforward to deliver than others and some ended up being more complex than others. That is why, in some deals, funding that had been earmarked for project A has been repurposed to project B. Further, some projects were not even on the radar back then.

I do not know whether anybody wants to answer the question about what has been easier to deliver.

Kimberley Daly: On Ms Slater's point about the different elements of the deals, they are designed as integrated packages of measures to unlock regional economic growth from a range of perspectives. They include infrastructure, innovation and skills elements that are tailored to individual regional needs and opportunities. We are looking at whether there are ways in which we could streamline the governance process to enable faster progress, and at whether all projects need to go through the same steps. That is not something that we can decide unilaterally, because we are in partnership with the UK Government. In that partnership, we are, as I say, looking to establish whether governance could be streamlined to make things work better.

Lorna Slater: Thank you. My second question is related to the ways in which the deals might not work so well, such as when projects get stuck. I am thinking specifically about the Sheriffhall roundabout project. When I speak to local councillors about the project, they say that they cannot do anything to change, fix or unstick it because it is part of the UK city region deal and the UK Government needs to do that. However, we had the Secretary for State for Scotland in to give evidence and he said that the power to make a decision to move forward or to change the project sits with the Scottish Government. There is a lot of finger pointing. That is where collaboration goes wrong—when it is always somebody else's fault or responsibility.

The evidence that we have collected as a committee suggests that the relevant report and the decision on that project are sitting on the transport secretary's desk. The DFM said earlier that there is no desire to hold up things, but that project has been in limbo for months and months. Does the Scottish Government have the power to make that project work or to redirect funds if it decides that it is not to go ahead? What is the hold up?

Kate Forbes: The member will know some of the history of the Sheriffhall project. As recently as November 2024, the leader of Midlothian Council wrote to Transport Scotland requesting that Scottish ministers take action, stating that it was

"imperative that progress is made soon".

It is important that a project of that scale and significance is subject to appropriate scrutiny, and the report that was submitted following the public local inquiry is under careful consideration.

The original inclusion of Sheriffhall in the deal was driven by regional partners. Your demonstration of the situation as collaboration going wrong illustrates why all parties need to be at the table to make decisions, because it is not in the gift of any single partner to do so. The structure is that we expect local partners to take the lead on decision making and that they will design and deliver the deal, but, as funders, we have an important role to play in overseeing the funding that is attached to each deal.

The Ayrshire growth deal is a good example to use in that regard. A few MSPs told me that they had heard that we were holding up the process; I had thought that we were in conversation with Ayrshire and were waiting for more clarification from it. I then thought, "Wait a minute. If there are different understandings of this, let's just get a meeting." We got a meeting, and we said, "This is where we think things are at. That's where you think things are at. What needs to be done? You do that and we'll do this, and we'll meet again in a week." Rather than everybody thinking that the ball is in somebody else's court, we are, in fact, all playing a game of tennis, so let us get on the court and have a conversation. That is what gets things moving.

Lorna Slater: I would love things to get moving with Sheriffhall roundabout in whatever direction. I might write to you on that point and to ask whether facilitation could be undertaken to improve that collaboration.

The Convener: "Things moving" and "Sheriffhall roundabout" are not often said in the same sentence, I have to say.

Jamie Halcro Johnston (Highlands and Islands) (Con): Given that we are backing up ministers, I will be quick on some of my points. Kimberley Daly, when responding to Gordon MacDonald's question about local involvement, mentioned that 85 per cent of the spend in the Inverness and Highland deal is local. Does that figure include the changes to the Corran ferry project and the subsequent reallocation or reprofiling of funding?

Kimberley Daly: The Corran ferry project has not started yet—it is going through a business case development process and we are meeting the council tomorrow to discuss it—so the spend does not include it.

Jamie Halcro Johnston: Okay, so that 85 per cent is of funds that have been utilised so far.

Kimberley Daly: Yes.

Jamie Halcro Johnston: All right. Thanks very much for that.

The redeployment or repurposing of money has been mentioned. I think that we can all accept that happening, because we do not want money to be used poorly. Do you have figures on how much funding has been repurposed or redeployed so far across all the growth deals, cabinet secretary?

Kate Forbes: I will ask the team whether they can provide that if we do not have the figure to hand, because I imagine that we will have specific figures for each deal but perhaps not a round figure.

Jamie Halcro Johnston: Are discussions still going on and might there be repurposing of other funding?

Kate Forbes: Yes. I do not imagine that that conversation will end until every growth deal has reached its conclusion, because the deals have to respond to whatever economic challenges they are facing. None of us could have envisaged the hike in inflation. For example, during Covid, there were some requests for changes because of prices increasing or decreasing or because it was felt that some projects were no longer a priority.

11:00

Kate Bryson: I can provide some figures. To date, under the programme, about £1.1 billion of the £3.4 billion of funds has been awarded to councils, which are the accountable bodies for the deals. There are still funds for the remaining 10 years of the deals, and not all the funding will be repurposed. As the Deputy First Minister said, we can look at the issue, but that shows that a significant amount of Government money is still to be released over the next 10 years of the programme.

Jamie Halcro Johnston: We have talked about accountability and how funds can be repurposed. There might be projects that the Government and the primary authorities—local authorities, as you said—want to look at. If you have concerns about repurposed money, how do you raise them? Who can put a stop to things if there is concern that something will not be met or that money will not be used?

Kate Forbes: I will ask the team to explain the process in which any part of the tripartite group can raise concerns. The bottom line is that, by and large, the deals are led by local authorities. We expect local authorities to propose priorities and to manage the business case in order to deliver them. The Government is involved in governance and funding, but the schemes are led by local partners.

Jamie Halcro Johnston: The Scottish Government had to give permission to enable funding to be used on the Corran ferry, as did the UK Government. Can the main funders—the UK and Scottish Governments—veto the repurposing of money if they do not agree with its use?

Kate Forbes: There is a rigorous process. The local authority submits a change request—in that case, Highland Council did so last summer, because it wanted to replace one project with another, as you know. We approved that request in principle in November 2024. As Kimberley Daly said, the council is working on an outline business case to demonstrate the full economic merits of the project. As you know—although it is worth saying again—I am recused from that process.

Jamie Halcro Johnston: I appreciate that.

Anne-Marie Martin: Twenty years is a long time, and the projects are not delivering in a vacuum. There is recognition that circumstances and priorities might change, so there could be a very good case for replacing a project that was no longer viable or no longer a priority. The change process exists in recognition of the long duration of delivery.

Through the change process, it must be demonstrated how the new project will continue to meet and deliver the overall objectives of the growth deal. The decision is for both the UK Government and the Scottish Government, irrespective of which funds are being used. For example, the UK Government asked the Scottish Government about the change to its funds for the Corran ferry shoreside infrastructure. The partnership approach involves asking, “Does this make sense to both of us? In the round, will it still deliver the objectives? Is this a better project, or is the replacement at least as good as the project that was going to be pursued?” That is a collaborative process, but change is inevitable because of the nature of the deals.

Jamie Halcro Johnston: I have never had concerns about the idea of repurposing. I was just wondering whether funding was being used for things that should be being funded from normal Government or council funding.

Kimberley Daly, did you want to come in very quickly?

Kimberley Daly: I was just going to say, as others have done, that there is a change request process and that all partners need to agree on the funding. We consider the economic merits of a project through a business case process. We will do that for the Corran ferry project and for any other project that has been switched.

Jamie Halcro Johnston: When we spoke to the Secretary of State for Scotland, we talked about the Corran ferry project and the Fair Isle ferry project, which is not part of the deal. He suggested that the UK Government would not say no to the possibility of being involved in talks about funding for the replacement of interisland ferries. I am sure that you are aware of that, cabinet secretary. What are your thoughts on that? Would you welcome that?

Kate Forbes: We believe that the Scottish Government should be fully funded and that we should have a settlement that enables us to meet our priorities. Devolution determines what responsibilities we have and what remains reserved. Transport is devolved, so assuming a settlement that allows us to invest, we should be the ones to determine the national infrastructure transport projects, based on consultation with and listening to stakeholders.

You talked about interisland ferries, which it would be the local authority’s responsibility to deliver. My view is that local partners and the Scottish Government should be able to make decisions that are in line with our priorities, which was why we were so deeply opposed to the way in which the shared prosperity funding and levelling up funding were determined. It seemed to be quite random, political and erratic, and it did not allow funding to be deployed as efficiently as it could have been.

Jamie Halcro Johnston: I appreciate that concerns were raised quite publicly at the time, but we are where we are. The Fair Isle ferry project has got the go-ahead, and the Corran ferry project is part of the growth deal now. Will you be speaking to the Secretary of State for Scotland or the UK Government about that, if they are willing to talk about it?

Kate Forbes: Do you mean about the Fair Isle funding?

Jamie Halcro Johnston: I am asking about the UK Government potentially being involved in the wider interisland ferries replacement scheme, because that will cost hundreds of millions, if not billions, of pounds.

Kate Forbes: My bottom line is that funding should be given to the appropriate level of government, which should then be able to fund its priorities. That is a really important principle of devolution and of local authorities. We will work collaboratively with the UK Government and local authorities on shared objectives—of that there is no doubt. The UK Government is working on what comes after the levelling up and shared prosperity funding. I think that that should involve a means of deploying funding in an efficient way, with the agreement of all partners. It was probably that point about agreement that was missing from previous iterations.

The Convener: The final question is from Daniel Johnson.

Daniel Johnson: I am mindful that Ivan McKee is eagerly waiting to talk about moveable transactions, so I will attempt to keep this as brief as possible, although I do not have a great track record on that count.

I want to come back to some of the things that Murdo Fraser asked about, which also relate to what Colin Smyth said. You said that you do not think that it would be appropriate to copy and paste structures from England. However, if you look at the Greater Manchester Combined Authority, and if you remove firefighters from its headcount, it employs only around 500 people, covering quite a broad scope of different functions, including economic development, skills and education, and elements of public health. That is less than half of the headcount at Scottish Enterprise. It is quite a lightweight structure.

In Scotland, is there an overfocus on the mayor and an underfocus on the fact that it is a combined authority whose members are the constituent local authorities, which gives you one place to go and talk? I hear what you are saying about regional economic partnerships, but right now, in Scotland, at a regional level, we have quite a number of different places where you could go to talk. It could be the growth deal partners, it could be the regional economic partnership, or it could even be the health board, depending on what you want to do. What we do not have is one place where you can talk to your local authorities. Should you be looking at that and thinking about replicating that function? It is not about the structure; it is about the function.

Kate Forbes: This is where Daniel Johnson and I are dangerously in agreement.

Daniel Johnson: And in agreement with Murdo Fraser as well, I think.

Kate Forbes: The point here is not to copy and paste the structure without realising what has led to the success of Manchester. There are a number of aspects to that. First, it is about their being streamlined. Secondly, it is about their being really clear about what they want to do and what their priorities are. Thirdly, it is about their having a big focus on problem solving and on sorting things out.

Investors who have worked there will say that they have confidence in investing because they know who can fix things. Maybe, instead of asking him about moveable transactions, you should ask Ivan McKee about this, because he and I have had a few conversations about what led to the success of Manchester and what we could adapt for Scotland.

Some areas are doing things in a slightly different way. We have been talking about big urban centres, but, if we take our islands as an example, there is an opportunity for a lot of overlap between local authorities and the national health service for instance. We also need to consider how we do this on a Scotland-wide basis. I see part of my role as making Scotland a great place in which to invest and develop, and ensuring that people know that, should they do that, we will back them, unblock blockages and line them up with the right people. That is about people having a one-stop shop for getting all their answers. I am still of the view that there is nothing that inherently stops a local authority from doing that right now.

Daniel Johnson: That is an interesting and helpful set of observations. We could hold a whole evidence session on that issue.

At the beginning of the session, you described growth deals as being primarily about delivering economic growth. However, listening to the evidence, I have found it interesting that the benefits are less about gross value added and more about efficiency of working and collaboration. Is that the correct assessment? Is there a way of measuring the value of what they have delivered, or is it just a case of the deals making it easier to do the work? Do you have a formal set of metrics for the more mature deals, for example, and can you demonstrate the GVA or other economic value that would not be there if those deals did not exist?

Kate Forbes: I will ask the team to come in on the technical element of evaluation and measurement.

On the top line, the purpose of growth deals is economic prosperity. However, we are often too quick to dismiss certain initiatives because they are said not to be of economic benefit. Investing in health and education are both means of boosting economic prosperity, although not exclusively and not purely for that purpose. Think of all the investments that can be made through a growth deal. They are called growth deals for a reason and they are pursuing economic prosperity.

The economic metrics matter, but why do it through a growth deal rather than just through the devolution settlement? That is because of the efficiencies, because of the collaboration and because it compels us all to take a long-term approach, irrespective of who is the chief executive or the leader of a local authority.

Daniel Johnson: What you have just said relates to my final question, so I will ask that before you bring in your team to respond to my question about the formal metrics.

Do you view the growth deals as just another means of delivering projects, or do you view them as the principal means of delivering infrastructure, particularly regional infrastructure? If the latter, that has quite a big bearing on how we think about things such as the medium-term financial strategy and the spending review, which we have talked about. Are the deals the primary means of delivery, or are they just one means of delivery?

Kate Forbes: I suggest that growth deals are one means of delivery. The investment that is being made in those same locations, geographical areas and communities far exceeds what has been committed through the growth deals.

11:15

The growth deals are a means of delivery based on collaboration and long-term goals, but they are not the only means. The north-east right now is the best example of what is going on alongside that, including investment zones, the energy transition zone, other transition funds and so on, particularly what is being led by the private sector. The growth deals cannot be the principal means, but they are a fascinating study in how to do it well.

Even at the height of the breakdown in relations between different partners—whether that was the UK and Scottish Governments or when local authorities were criticising the Scottish Government—the growth deals continued to move forward because of the governance arrangements and the agreement. That got too little attention, but it was unique when other things such as the levelling up fund and the shared prosperity fund were not agreed on. At the time of the United Kingdom Internal Market Act 2020, which is still operational, the growth deals showed how we could operate on the basis of mutual respect and agreement.

Do you still want to hear about the technical aspects?

Daniel Johnson: I always think that the way to value something is in comparison with the best alternative forgone. Is there a way that you can measure the value of the growth deals compared with what we would have if they did not exist?

Kate Forbes: That is a great question for the team. There is a lot of value to the growth deals that would be difficult to quantify in figures, and it may do them a disservice if we attempted to do so.

Daniel Johnson: I accept that, but are there metrics nonetheless, albeit that they will not capture everything?

Anne-Marie Martin: To come back to the Treasury green book process, the whole point of that is to set out at the beginning the objectives and what will be delivered. There is an inherent expectation about measuring and reporting the evidence that what you set out to do, you have done. Through that process and delivery—be it through annual conversations or through the quarterly and monthly monitoring of both teams—we are looking for indicators to demonstrate that they are on track to deliver the benefits that have been described at the outset.

Monitoring and evaluation can be done at the end, which is dangerous because you might discover that a project did not quite do what you thought it was going to do, or you can have output and outcome indicators throughout the delivery of a project. Those would indicate whether we needed to take stock of or learn something. We could then ask, “Is there something here about challenges to delivery that another project or deal would benefit from understanding?”

On measurement at a project level, growth deals are, as part of that business case process, required to report on the benefits both on a metrics basis and to demonstrate the positive returns and the reach. Has it driven enhanced skills provision? How many beneficiaries are there and who has benefited? That will vary project by project. The real challenge in evaluating such a programme or portfolio is how to aggregate it, because if everybody is counting or measuring slightly differently, that becomes a challenge.

Daniel Johnson: I accept that there may not be an answer to this, and I accept that tracking delivery against what was promised is important at project level, but what I am asking is slightly different. Can we demonstrate at that aggregate level that the growth deal structures are delivering additional value over and above just being a mechanism for delivering projects? That is probably too esoteric a question. If we are saying that this is a good vehicle for delivering projects, it is interesting to ask whether we can demonstrate that and measure that benefit.

Anne-Marie Martin: You will see from some of the more mature deals, as we call them, that their benefit realisation processes and what they publish and report on demonstrate that much more clearly and cleanly than deals that are in the 2021-type stage. However, there is a requirement for them all to have a benefits realisation management approach, so the cross-learning is important. The deals that we know are doing that and have a good process to do it well are sharing that through the project management office network with other deals.

Edinburgh is an exemplar. It has shared learning and done many learning events with other deals, so that they can take the model and replicate it or utilise the bits of it that work for their deal. We hope to be able to aggregate that and demonstrate it at the portfolio level, but that is inherently difficult until a project is finished, because you would not have the totality of the project until everything has been completed.

Daniel Johnson: We are in danger of Ivan McKee becoming a moveable transaction himself and leaving to go elsewhere, so I conclude there. Thank you very much for your answers.

The Convener: That brings us to the end of the evidence session. Deputy First Minister, thank you and your team for joining us. I suspend the meeting briefly to allow for a change of witnesses.

11:20

Meeting suspended.

11:22

On resuming—

Subordinate Legislation

Moveable Transactions (Scotland) Act 2023 Amendment Regulations 2025 [Draft]

Registers of Scotland (Fees and Plain Copies) Miscellaneous Amendments Order 2025 [Draft]

Moveable Transactions (Forms) (Scotland) Regulations 2024 (SSI 2024/379)

Moveable Transactions (Register of Assignations and Register of Statutory Pledges Rules) (Scotland) Regulations 2024 (SSI 2024/381)

The Convener: Our second item of business is further consideration of four Scottish statutory instruments. We have two draft affirmative instruments: the Moveable Transactions (Scotland) Act 2023 Amendment Regulations 2025 and the Registers of Scotland (Fees and Plain Copies) Miscellaneous Amendments Order 2025. We also have two negative instruments: the Moveable Transactions (Forms) (Scotland) Regulations 2024 and the Moveable Transactions (Register of Assignations and Register of Statutory Pledges Rules) (Scotland) Regulations 2024.

Following last week's meeting, the minister wrote to the committee, which members found incredibly helpful. The minister's letter of 31 January is included at annex C to paper 3.

I welcome our witnesses: Ivan McKee, the Minister for Public Finance; Camilo Arredondo and Rob McConnell, from the Scottish Government legal directorate; Jill Clark, team leader of the private law unit at the Scottish Government; and David Robertson, policy lead at Registers of Scotland.

This item is an opportunity to further discuss all four instruments with the minister and his officials before moving on to the formal procedure at the next agenda item. There is no need for motions to be moved under this item; that will happen at a later stage.

Although I am keen to hear the minister's views on the success of Manchester, I ask him to give us a short opening statement about the subordinate legislation that is before us.

The Minister for Public Finance (Ivan McKee): Thank you, convener, and good morning, committee. I thank you for the further opportunity to give evidence on the four SSIs relating to the

Moveable Transactions (Scotland) Act 2023. I hope that my letter of 31 January was helpful to the committee in providing not only information but reassurance on the range of issues that the committee raised. I put on record my thanks to officials for putting together a comprehensive and thoroughly helpful letter in a short period of time.

It is probably worth highlighting the following point on privacy. It is important to recognise that public registration is the policy solution to help businesses in Scotland by offering a simple and efficient alternative to the outdated and inflexible existing law. That said, both the act and the rules take measures, through restricted searching and appropriate redaction, to ensure that that personal information is not disclosed in a way that could enable fraud.

With regard to corrections, it is important that the registers have a utility for businesses and are easy to use. That must, of course, be balanced with the utility of them being accurate and up-to-date. We think that we have struck the right balance and my letter sets out in some detail how corrections can be made to the registers. It also sets out that it will always be in someone's interest for erroneous or out-of-date information to be corrected.

Fraud is a legitimate concern and I hope that the details contained within my letter provide some comfort. Checks are in place to minimise the likelihood of the registers being used fraudulently.

I am happy to take any further questions on the instruments.

The Convener: I will start with a question to seek clarity in relation to not-for-profit advisers. We have clarified that the act allows not-for-profit advisers to search either of the registers without incurring a fee, but your letter of 31 January—which was very comprehensive, and we thank you for it—indicates that you will not define what not-for-profit advisers are, because you do not believe that many of them will seek to search the registers and that if they do, you would come up with a definition at that point.

If you do not have a definition, how will you decide if an organisation is not-for-profit, what will the criteria be, and how will such organisations be aware that they can search the registers without a fee? If you do not have a definition, how will you decide whether you need a definition due to the number of such organisations coming forward to search the registers?

Ivan McKee: I will let officials comment on that shortly. We are probably talking about a small number of well-known organisations, and that should be manageable with what we have in place. The idea is that, as it is probably relatively clear who the term covers, this is the most effective and efficient way to proceed, rather than spending a lot of time and effort trying to define that term.

Rob McConnell (Scottish Government): The minister is correct in saying that we do not expect the number of organisations that rely on the provision to be very large at all. There could be an issue with defining those types of bodies, as the definition provided might not cover parties that would ideally have been covered. The Government's position is that, given that the number of organisations caught by the provision will likely be negligible, we should monitor progress and how the registers are used over time and then use that information to make an informed decision on perhaps—or perhaps not—adding a definition to the regulations in future.

The Convener: Minister, you will be pleased to know that your letter covered most of the points that members wanted to raise. I will bring in Lorna Slater.

Lorna Slater: Minister, thank you for coming back to the committee. Last week, my questions were about the particular SSI on the registers. Thank you for the reassurance in your letter on the mechanisms for correction, accuracy and third-party data and for accepting that no system is perfect or free from error and that bad actors can abuse any system. I am content to support the progression of the instruments, but will the minister or his officials commit to coming back to the committee or its successor in 18 months to two years, to provide an update on how things have gone, whether the corrections procedure is working and how many people have required to use it?

Ivan McKee: Yes, we are happy to do that. Rob, is there anything on timelines for coming back to the committee in the act or the regulations?

Rob McConnell: The act provides for the Government to report to the Parliament five years after it fully comes into force, which will hopefully be on 1 April. That will be a large, encompassing report on how the entire regime is working in reality and whether there are areas that could be looked at again.

Lorna Slater: It would be interesting to know whether you would be willing to come back in 18 months to 2 years, to give us an interim update.

Ivan McKee: We would be very happy to do that. It is good to have that backstop set at five years, but you are right, and we would be very happy to come back to the committee in what will be the next session with an update on where we are at that stage to allow the committee to ask any further questions at that point.

11:30

Murdo Fraser: To the relief of my colleagues, I will not mention flocks of sheep or combine harvesters today.

I place on record the fact that we got an eight-page response from you and that it was issued within 48 hours of your appearance at the committee last week and responded to points that were raised then. That excellent work is an exemplar of how ministers should behave.

Ivan McKee: Thank you. As I said at the outset, that is all down to my officials and I agree that it is an exemplar of how the civil service should work.

The Convener: We will end on that positive point.

There are no further questions from members, so we move to formal consideration of the motion to approve the draft Moveable Transactions (Scotland) Act 2023 Amendment Regulations 2025. I remind members that only they and the minister may take part at this point and I invite the minister to move motion S6M-15910.

Motion moved,

That the Economy and Fair Work Committee recommends that the Moveable Transactions (Scotland) Act 2023 Amendment Regulations 2025 [draft] be approved.—[*Ivan McKee*]

Motion agreed to.

The Convener: We move to our next item of business, on the draft Registers of Scotland (Fees and Plain Copies) Miscellaneous Amendments Order 2025. Once again, only members and the minister may take part and I again invite the minister to speak to and move motion S6M-15911.

Motion moved,

That the Economy and Fair Work Committee recommends that the Registers of Scotland (Fees and Plain Copies) Miscellaneous Amendments Order 2025 [draft] be approved.—[*Ivan McKee*]

Motion agreed to.

The Convener: A report of the committee's consideration of both draft instruments will be prepared and published. I invite members to delegate responsibility to me, as convener, to agree the committee's report.

Members *indicated agreement.*

The Convener: Our next item is consideration of two negative SSIs, the Movable Transactions (Forms) (Scotland) Regulations 2024 and the Movable Transactions (Register of Assignations and Register of Statutory Pledges Rules) (Scotland) Regulations 2024. The committee is invited to note both instruments. Are members happy to do so?

Members *indicated agreement.*

The Convener: That brings us to the end of today's evidence session. I thank the minister and his officials for joining us.

We now move into private session.

11:32

Meeting continued in private until 12:02.

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