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Economy, Tourism and Energy Committee

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na h-Eaconamaidh,
Turasachd agus Cumhachd

Tuesday 27 October 2026

Session 7



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Tuesday 27 October 2026

CONTENTS

	Col.
DECISION ON TAKING BUSINESS IN PRIVATE	1
SUBORDINATE LEGISLATION	2
Renewables Obligation (Scotland) Amendment (No 2) Order 2026 [Draft]	2
PRE-BUDGET SCRUTINY 2027-28	10
SPORTING EVENTS BILL.....	50

ECONOMY, TOURISM AND ENERGY COMMITTEE

8th Meeting 2026, Session 7

CONVENER

*Duncan Massey (North East Scotland) (Reform)

DEPUTY CONVENER

*Daniel Johnson (Edinburgh Southern) (Lab)

COMMITTEE MEMBERS

- *Gary Bouse (Falkirk West) (SNP)
- *Kate Campbell (Edinburgh Eastern, Musselburgh and Tranent) (SNP)
- *Martyn Day (Falkirk East and Linlithgow) (SNP)
- *Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con)
- *Kristopher Leask (Highlands and Islands) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Ross Armstrong (Warmworks)
Cassandra Dove (Scottish Federation of Housing Associations)
Craig Egnor (Scottish Government)
Jamie Manson (VisitScotland)
Vicki Miller (VisitScotland)
Mike Thornton (Energy Saving Trust)

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Economy, Tourism and Energy Committee

Tuesday 27 October 2026

[The Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Convener (Duncan Massey): Good morning, and welcome to the eighth meeting in session 7 of the Economy, Tourism and Energy Committee. We have received no apologies.

Agenda item 1 is a decision on taking business in private. Do members agree to take item 6 in private?

Members *indicated agreement.*

Subordinate Legislation

Renewables Obligation (Scotland) Amendment (No 2) Order 2026 [Draft]

09:30

The Convener: Agenda item 2 is consideration of an affirmative Scottish statutory instrument—the draft Renewables Obligation (Scotland) Amendment (No 2) Order 2026. I refer members to paper 1.

I welcome Stephen Gethins, the Minister for Europe, External Affairs and Energy, and Scottish Government officials Matthew Lourie and Craig Egner. I invite the minister to make a short opening statement.

The Minister for Europe, External Affairs and Energy (Stephen Gethins): Thank you for having me along.

The SSI before the committee today will establish the legal framework for providing eligible businesses with exemptions from electricity policy costs in order to reduce their electricity bills and improve industrial competitiveness, and it will allow an amendment to be made to the renewables obligation level ahead of April 2027.

The British industrial competitiveness scheme—BICS—is a United Kingdom Government scheme that is designed to reduce electricity costs for eligible energy-intensive manufacturing businesses. BICS aims to improve the competitiveness of eligible businesses relative to their European peers by bringing electricity costs more closely in line with those that are faced by comparable businesses in European Union countries.

As members will be aware, high energy costs remain a significant challenge for many manufacturers and undermine competitiveness and investment. The UK Government estimates that around 825 businesses in Scotland could potentially benefit from BICS. It also estimates that BICS is expected to reduce electricity costs for eligible businesses by around £35 to £40 per megawatt hour. The instrument before the committee today will make the changes that are needed to implement BICS in Scotland.

Under BICS, businesses will begin to receive support from April 2027, when they will be exempt from paying the indirect costs of the renewables obligation and feed-in tariff schemes, which are now closed to new entrants. Those schemes were designed to incentivise renewable generation. From October 2027, businesses will also receive an exemption from paying the indirect costs associated with the operation of the capacity

market, which is designed to ensure a reliable and continuous supply of electricity.

Implementation and management of the feed-in tariff and capacity market are reserved. However, the Scottish ministers are responsible for the legislation governing the renewables obligation Scotland scheme, and the SSI that we are discussing today will exempt eligible businesses from renewables obligation Scotland costs from April 2027 and will introduce the technical changes that are needed to enable that exemption to operate effectively.

The aim of the renewables obligation scheme, which closed to new entrants in 2017, is to increase renewable generation. The Office of Gas and Electricity Markets awards generators renewables obligation certificates for generating renewable electricity. Electricity suppliers need those certificates in order to meet legal annual obligations that are set by the UK Government. Because suppliers need them, generators can sell them and earn additional income. That additional revenue helps to support investment in renewable generation. Suppliers pass the costs that they incur on to businesses that they supply with electricity.

The proposed amendments will ensure that eligible businesses will be exempt from up to 100 per cent of the indirect costs associated with the renewables obligation scheme. They will support eligible businesses that operate in manufacturing frontier industries, including clean energy, defence, advanced manufacturing and key supply chain sectors that provide essential inputs to those industries, which include the chemicals and metals sectors. They will also maintain consistency across Great Britain, support market stability and ensure a level playing field for suppliers and generators that operate across borders.

Savings being made in the wider energy system—specifically through a change in how a renewables obligation is adjusted annually for inflation and the removal of carbon price support, together with United Kingdom Government Exchequer funding—mean that the amendments will not place any additional cost on consumers, whether businesses or individuals.

The technical change in the instrument creates the exemption and does not alter how the renewables obligation scheme works.

We consulted on the proposals and a majority of respondents supported the exemption. Those who did not raised concerns around the feasibility of implementation and the potential redistribution of costs to other consumers. We have worked with the UK Government to ensure that those concerns are alleviated through the offsetting of any additional costs to consumers and by ensuring that

electricity suppliers are given enough time in which to make the necessary changes.

This targeted amendment supports industrial competitiveness while maintaining the effective operation of the renewables obligation Scotland scheme. It is necessary and proportionate to ensure that Scottish businesses benefit from the BICS in the same way as businesses do elsewhere in the Great Britain market.

The Convener: Thank you, minister. Do members have any questions?

Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con): I looked into how the scheme was progressing in England and Wales, but I could not find much information about it. Will you outline what is happening there?

Stephen Gethins: I understand that the UK regulations are being discussed in the House of Commons today and in the House of Lords tomorrow. The regulations should be passed by 16 November.

Rachael Hamilton: I am not confused, but I am wondering why we are considering the Scottish statutory instrument now when it will come before the chamber as an affirmative instrument, depending on what happens today. I presume that that is for technical reasons.

Stephen Gethins: I should have said at the start that, because of recess, we were not able to have the usual briefing with officials.

Regarding the timescale, the UK regulations should be passed by 16 November, and that should be confirmed with us on 17 November. If the SSI is agreed today, that will allow alignment across the UK.

Rachael Hamilton: You said that the scheme closed to new entrants in 2017. However, the committee papers suggest that 825 businesses in Scotland could benefit from support. How do we know whether all those businesses are still eligible? Renewables move at a fast pace.

Stephen Gethins: Yes, they do. We would expect to receive an update from the UK Government in due course.

Craig Egner, would you like to update the member on that?

Craig Egner (Scottish Government): Yes. The application process is open until the end of November. The minister mentioned that there are three schemes: the renewables obligation scheme, the capacity market scheme and the feed-in tariff scheme. The SSI is all about ensuring that the costs of those schemes are not passed on to those companies.

However, ultimately, it is for the UK Government to assess eligibility, determine whether those businesses fall within the correct industrial categories—we can come back to that—and assess whether they meet the additional requirements of the scheme. We should know that towards the end of the year. I believe that decisions will be made around January on who has qualified and who has not.

We understand that there are about 825 eligible businesses in Scotland and probably about 10,000 eligible businesses across the entire GB system.

Stephen Gethins: We would be happy to keep you up to date on that, if that would be helpful to the committee. So much of this sits with the UK Government in terms of—

Rachael Hamilton: Yes, it would. I just want to put on record that I find it unusual to be considering the instrument when the application processes for various schemes are open. We are being asked to consider an SSI when the UK instrument has not yet gone through the Commons.

Stephen Gethins: I have had to try to work through the detail of the issue over the past few weeks, so I can entirely understand that.

Much of this sits at UK level and remains reserved. We will need updates. I will be asking officials for updates, and I am really happy to write to the committee in due course when we receive more detail from the UK Government. I entirely understand and sympathise with your point.

Rachael Hamilton: I understand what you have said. You want to make the whole of the United Kingdom come under one scheme.

Stephen Gethins: Yes, because we have one GB market.

Rachael Hamilton: I received an indication that the cost of the exemption would be borne by consumers. Where will the money come from? Will it be funded by the UK Government? Are you aware of any changes to Wednesday's UK budget?

Stephen Gethins: We are not aware of any changes to the budget; I am afraid that the chancellor has not yet given me sight of it.

I picked up in my opening statement that the costs would not be passed on to consumers. I am trying to find the relevant bit of my statement, but I cannot. However, we can assure you about that.

Kristopher Leask (Highlands and Islands) (Green): I appreciate what you have said about this so far, but one of the issues in the paper relates to eligibility for the BICS discount. The codes that relate to eligibility, including the standard industrial classification codes, are set by

the UK Government. Is the Scottish Government notified about changes to eligibility? Do you have any concerns about the significant industrial incentivisation mechanism being controlled at that level? What engagement has there been and what is the awareness about how eligibility changes occur?

Stephen Gethins: I engage with my UK counterparts regularly, especially on issues such as that, which involve—it is not so much a case of there being an overlap—significant areas of UK Government control. Eligibility changes are a matter for the UK Government. Craig Egner, can we give Mr Leask reassurance about that?

Craig Egner: Only by saying that we regularly engage with the UK Government. Ultimately, the codes for the sector all flow from the UK's industrial strategy. However, we engage with the UK Government regularly on that, so we would be notified of any changes to eligibility.

Martyn Day (Falkirk East and Linlithgow) (SNP): The process is already open for applications. How many of the 825 potentially eligible businesses have applied already?

Stephen Gethins: We will not know that until later. Your point relates to the one that Rachael Hamilton made, and we are happy to keep the committee posted. Again, so much of this sits with the British Government. We have made the regulations in order to keep things aligned and so that we are able to make the amendment in time for April 2027.

Martyn Day: What is being done to ensure that eligible businesses know that they have to apply by 30 November?

Stephen Gethins: We have been engaging with them.

Craig Egner: The UK Government has organised a number of schemes, and there have been a number of webinars to alert businesses to the fact that the scheme is out there. We can reach out to our UK counterparts again to ensure that everything is being done to promote the scheme and make people aware of the deadline for applications.

Kate Campbell (Edinburgh Eastern, Musselburgh and Tranent) (SNP): The Scottish Government has no additional powers for cost redistribution, but it can monitor. If we monitor and we realise that cost redistribution is having an impact on other businesses, what can we do?

Stephen Gethins: First, we have been assured about cost redistribution, but we will have to make the case for that. The problem is that we do not have a huge amount of powers in that area. You and I might find that frustrating, but I have to work

within the rules as they are, rather than as I might like them to be. However, to be fair, I met the secretary of state during the parliamentary recess and I will continue to engage with UK ministers. Officials engage as well. We are happy to keep the committee informed of that process.

Kate Campbell: Could we get assurances that, if you are monitoring and you find that the cost redistribution is having an impact on other businesses, you will report that to the committee, even though the Scottish Government has limited powers?

Stephen Gethins: Yes. We do not envisage that happening, but, if it happens, we will be happy to report it to the committee. I will ask officials to make a note of that.

Gary Bouse (Falkirk West) (SNP): Good morning. I find the 25 per cent discount very interesting. Will that be permanent, so that we stay competitive with the EU? Will it end up flexing? If electricity in the EU gets cheaper, will the discount flex, or is it a fixed sum? I apologise, as I know you might not have the detail on that at the moment.

09:45

Stephen Gethins: No, no—it is fine.

Obviously, ROCs are being phased out, so it is an issue that we are having to move on. There are other mechanisms, such as contracts for difference. Fundamentally, BICS is a UK Government scheme about maintaining competitiveness with the rest of Europe.

We will keep that under review. It is one of those slightly anomalous situations where we are administering the scheme but a large range of the powers remain at a UK Government level across the Department for Energy Security and Net Zero and the Department for Business, Innovation, Science and Trade.

Gary Bouse: I take it that the big problem is that there is still detail to see on that.

Stephen Gethins: Yes, and the detail sits at a UK Government level, but we continue to engage and ask for that. Again, I am happy to share that with the committee when I get it.

The Convener: I take it that the Scottish Government broadly welcomes the scheme because it reduces industrial energy prices. Is that correct?

Stephen Gethins: Yes, convener. We welcome anything that helps to make our businesses more competitive, especially businesses that are energy intensive. I will continue to work with UK colleagues on that in as constructive a manner as I possibly can.

The Convener: We have no more questions, so we will move on to agenda item 3, which is the formal consideration of the motion.

Motion moved,

That the Economy, Tourism and Energy Committee recommends that the Renewables Obligation (Scotland) Amendment (No 2) Order 2026 [draft] be approved.—
[Stephen Gethins]

The Convener: Do members wish to make any points?

Rachael Hamilton: I am reluctant—I do not think that I have enough information to nod this through, but I am going to. I find this very difficult, because we are being asked to consider something that I agree with, given the party that I come from, which should be adopted across the whole of the United Kingdom, but I think that there is not enough information there.

I asked the minister whether the cost of the exemption will be passed to consumers. It looks like the cost will be redistributed across the remaining customer base, which means that other industrial organisations and companies may bear the brunt, which would make them less competitive. Even though it is in the context of a United Kingdom scheme, I do not see that the change will be advantageous to Scotland, because it will not bring renewables businesses to Scotland.

Stephen Gethins: I will continue to engage with the UK Treasury on the issue. As I said to you earlier, I recognise that issue, but a huge number of areas sit with the UK Government. I have to engage with the issue in a constructive manner, and I might find it a wee bit frustrating sometimes that we do not have more of those powers. However, once we know the number of companies that are affected, we will engage with the UK Government. I think that the issue sits with BIST.

We have been told that there will be no additional costs, but we will continue to engage with the UK departments, which will engage with the Exchequer. I sympathise with your points.

Rachael Hamilton: Thank you for your reassurance.

Stephen Gethins: We will continue to engage with the committee on the issue.

The Convener: I invite the minister to wind up and to press or withdraw the motion.

Stephen Gethins: I press the motion.

Motion agreed to,

That the Economy, Tourism and Energy Committee recommends that the Renewables Obligation (Scotland) Amendment (No. 2) Order 2026 [draft] be approved.

The Convener: Do members agree to delegate authority to me, as convener, to approve a short factual report on the instrument?

Members *indicated agreement.*

The Convener: I thank the minister and his officials for their time today, and I briefly suspend the meeting to allow the minister and his officials to leave.

09:49

Meeting suspended.

09:51

On resuming—

Pre-budget Scrutiny 2027-28

The Convener: Our next item of business is an evidence-taking session for the committee's pre-budget scrutiny. I refer members to papers 2, 3 and 4.

I welcome to the meeting our witnesses: Mike Thornton OBE, chief executive, Energy Saving Trust; Cassandra Dove, member of the Scottish Government's heat in buildings strategic advisory group and policy lead for the Scottish Federation of Housing Associations; and Ross Armstrong, chief executive, Warmworks. Good morning, everyone, and thank you for your written submissions.

I invite the witnesses to make some brief opening remarks, starting with Mike Thornton.

Mike Thornton OBE (Energy Saving Trust): Hello there. First of all, thank you for the invitation to come to the committee this morning.

I am the chief executive of Energy Saving Trust. Indeed, I have worked for the organisation since 2002, so I have long experience of its operations. I became chief executive on the day of the first Covid lockdown, so that might tell you everything that you need to know about my sense of timing.

Energy Saving Trust is an independent, profit-for-purpose organisation that helps Governments to develop and deliver programmes on energy efficiency, low-carbon heat and transport. We have been doing that for 30 years now, in one form or another. We have long-standing experience of supporting the Scottish Government in its sustainable energy policies, and we deliver a range of programmes on behalf of the Scottish Government and Transport Scotland to support households, businesses and, importantly, communities. I am sure that committee members are aware of programmes such as Home Energy Scotland and the community and renewable energy scheme—or CARES—for community-owned renewable generation assets.

Finally, although what we do in Scotland is a very important part of our work, we deliver programmes for the Welsh Government and in Northern Ireland, too, and we also work internationally with Governments, energy agents and other partners. We are currently chair of the European Energy Network, which comprises 27 national energy agencies across the EU and beyond.

Cassandra Dove (Scottish Federation of Housing Associations): Good morning, and

thank you for the invitation to come along this morning.

I am policy lead at the Scottish Federation of Housing Associations, the national membership body for housing associations and co-operatives across Scotland. Our contribution today will be slightly different from that of the other witnesses, as we do not receive direct funding from the Scottish Government ourselves. However, our members do, and I will focus on sharing with you their experiences of the social housing net zero heat fund, in particular, and their current challenges and opportunities and the implications for future budgets.

I just want to highlight some key points from our perspective. First, social housing retrofit programmes are really well placed to deliver against multiple Government objectives, provided that they are coupled with sufficient investment to ensure that tenants do not end up footing the bill through higher rents. We expect demand to continue into next year, due not just to the current situation with energy prices and the further hikes that are expected in January, but to the planned confirmation of the social housing net zero standard. That has been on hold for some time, but we have had a commitment that it will be finalised by next spring. To date, that has been one of the key barriers to our members accessing the fund.

In the longer term, we would like to see far more structural changes, such as multiyear capital programmes, and a shift from the current competitive, opportunistic model to a much more strategic approach. That would help to unlock economies of scale and maximise the benefits of public investment.

Ross Armstrong (Warmworks): Thank you for inviting me to speak to the committee this morning. I am the chief executive of Warmworks. Warmworks was initially set up in 2015 to be the delivery partner for the Scottish Government's warmer homes Scotland scheme, which some members may be familiar with. We are still the delivery partner for the programme, which provides just under £100 million a year of grant funding.

Our role is to be the end-to-end service provider for the delivery of those grants to the homes of people who are in, or at risk of, fuel poverty. Our job is to take householders from the point of initial application and eligibility assessment, through an assessment of what needs to be done to the property, to the allocation of work to local supply chains and subcontractors, to the quality assurance of that work, with 100 per cent of the work being independently inspected, and finally to payment of the supply chain through the Scottish Government.

I will pick up very briefly on what Cassandra Dove said. I should have said that, as well as the warmer homes Scotland scheme, we run a range of programmes in social housing with some of the members Cassandra's organisation and across England and Wales. Demand for support is extremely high across all of our programmes because the retrofitted energy-efficiency improvements that are grant funded through our programmes are seen as one of the only ways in which people can get help to manage bills and bring them down during a period of national social crisis.

We have had two energy price cap rises in the past three months and, as Cassandra said, a further rise is touted for January. In our written submission, we explain that the energy price crisis and the lack of support elsewhere from the UK Government are putting real pressure on the programmes that we run because demand is very high. We work with a local supply chain of small and medium-sized enterprise installers, and all of our work is subcontracted to local businesses. Through that, we have a very successful employability initiative called warmstart, which focuses on jobs and skills in the sector.

I look forward to going through those points in more detail as needed.

The Convener: Thank you very much for that introduction. I will start with a general question before bringing in colleagues.

What are the key challenges here? A couple of themes emerged from your written evidence. One was the difficulty of carrying out the work in terms of cost, speed and scale. The other was the challenge of distributing the funding, with the funding mechanism being part of that.

Mike Thornton: One of the critical challenges, and one with which our work is constantly engaged, is supporting and engaging householders. As Ross Armstrong mentioned, energy prices are driving people to look for ways to cut their bills. That often means engaging with Scottish Government programmes and other initiatives that can support them in doing so.

The key challenge is to simplify the customer journey and ensure that programmes are as widely known as possible, so that those who are eligible come forward. The difficulty is that that drives demand, which tends to exhaust programme budgets. There is a constant balancing act.

There is also a wider issue: public engagement with the broader agenda is important. The programmes are driving major change in, for example, how people will heat their homes over the coming decades. Householders will need to engage with that and be broadly supportive of the

direction of travel. Promoting the programmes and the need for change remain important background issues for the work that we do because, ultimately, we cannot make changes in people's homes unless they are broadly supportive of them. Yet, those changes are necessary for a variety of Government policies.

10:00

Cassandra Dove: From our perspective, there are a few key challenges, including policy uncertainty, which applies specifically to the social housing standard and to the heat in buildings programme more generally. The confirmation of those standards has been delayed. For social housing, there was a consultation in 2023, but we still do not have clarity on what the standards will look like. Recently, there has been some movement, which is encouraging. The situation means that our members are in the dark about what is being asked of them. Although we have a signal on the direction of travel, it is difficult for them to accurately cost and prioritise their investments. Funding is available through a match funding model. Although there is a grant available, our members still need to fund a significant amount of money from their own budgets, which is difficult to commit to, and it is difficult to get their boards to sign off investment when the compliance standard is not in place, so it cannot be prioritised over other existing compliance requirements.

The annual funding cycle is a key barrier that applies across the schemes. As I noted in my written submission, it limits what is achievable within the financial year for the scale of projects, while the sequencing is difficult. The applications open in April or May, but it is September or October by the time the awards are confirmed. Time is then needed to mobilise the projects, which requires following procurement processes and, critically, securing tenant engagement—that is where things can fall down if we get it wrong. There are some things that our members do not have control over, such as building warrant applications. They may have to do external work, such as installing external wall insulation or replacing a heating system during the most difficult winter months. The grant element of the funding still needs to be drawn down by March, so the delivery timeframe is compressed. The timeline also does not allow members to align with other investment cycles. Our members work to 30-year budgets and investment plans and will have longer-term maintenance projects that would have been planned for six, seven, or eight years' time. It would make sense to align some of the work with projects such as roof replacements. We are missing opportunities for savings.

When we look at the size of the projects, particularly those that involve a combination of measures such as heating with fabric upgrades, many of the projects are for 30 or 40 homes at most and a couple of projects run pilots for two homes. If we are serious about what we are trying to achieve and the timeframe in which we need to achieve it, we need to scale up. As I noted, the most recent round is looking to retrofit about 3,000 social housing homes, but, in order to meet the standards for 2045, we need to increase that eightfold by up to 25,000 homes per year—our scale is way off. We are also missing opportunities for collective projects: we could bring different housing associations together and work on three-year projects on a much bigger scale, which would maximise the economies of scale in the delivery.

There are other external factors that mean it is difficult to make the costs stack up and to have a robust business case. For example, the current energy prices make it difficult to switch more fossil-fuel based heating systems to clean heating. The majority of projects that have gone through the fund have upgraded old oil systems or inefficient electric heating to more modern technology, such as heat pumps or high heat-retention electric storage heaters. There are more projects coming through for gas conversions, but in order to make it stack up, adjustments need to be made to the energy price. Alternatively, we could have a more extensive package of measures, so that we are not just switching heating systems but are working on wider measures to improve the fabric of the property, and we could potentially look at solar photovoltaics and battery installations, which could help to make the running costs minimal.

The Convener: I have one specific question on the back of that. Cassandra Dove, your written submission highlighted that some projects

"had seen costs of around £50,000 per property."

Can you comment on that? That seems like an extraordinary cost.

Cassandra Dove: That particular project combined a more extensive package of measures, including door and window upgrades, so that was an all-singing, all-dancing, gold standard retrofit. There are other things that are much simpler, such as installing smart heating controls—there is a whole spectrum. I would caution against looking at the average spend on properties across that fund, because there are a range of different interventions in it. I agree that those figures are eye watering and it would not be replicable if we were to ask for that for every social home in Scotland.

Ross Armstrong: I will pick up on your point about scale, convener. At the moment, the programmes that provide grant support to people

to make their homes more energy efficient are heavily subscribed and, in most cases, oversubscribed. We are seeing a situation in which demand from people in need outstrips supply on the available budget. I do not see scale being an operational problem; it is a problem because of the scale of the issue. There are so many households in Scotland that are already in fuel poverty or on the verge of it and if, in January, the percentage increase to the price cap is as reported, that number will grow again. Tackling that level of issue will need significant investment.

However, there is a positive in relation to the issue of scale. Taken together, the programmes that are run in Scotland—warmer homes Scotland, which is the grant-funded programme that we run for the Scottish Government; and the area-based schemes of local authorities—are delivering at a scale that is greater than those of the equivalent programmes in England and Wales put together. Scotland is leading the United Kingdom on the delivery of those programmes because we have a well-established supply chain and the certainty of multiyear funding in many of the areas that Cassandra just described. We have programmes that are running successfully, with momentum behind them. We should recognise the challenges presented by the scale of the problem, but we should not talk down the opportunity to scale up the effective instruments that we already have in place, which are delivering on multiple fronts.

Warmer homes Scotland is just about to go past having 55,000 completed applications. The equivalent programme in England ran at less than 10 per cent of that level last year. The scale of what is being delivered in Scotland is significant and there is an opportunity to scale it up again in response to the clear demand that is coming through.

The Convener: Members have questions. I will bring in Daniel Johnson first.

Daniel Johnson (Edinburgh Southern) (Lab): I will follow on from that. There are some points that are difficult to square. In January this year, a parliamentary question about how expenditure had met the allocation across all the different upgrade funds was answered by the Government. The answer showed that there had been an underspend in every year, although, admittedly, it was given part way through the 2025-26 financial year. I will leave out 2021-22, for obvious reasons. However, in 2022-23, about £340 million was allocated but only £175 million was spent against it; in 2023-24, the allocation was £356 million and expenditure was only £249 million; and, in 2024-25, there was a £342 million allocation and £277 million of expenditure.

Ross Armstrong, you say that all the schemes are oversubscribed and are delivering at scale, yet those aggregate figures at the highest level do not seem to agree. How do we square those two points? I do not quite understand.

Ross Armstrong: It is a valid question. I am not saying that all the schemes are oversubscribed; I am saying that, for the schemes that we manage and run on behalf of the Government, we are seeing demand outstrip supply. Our schemes are about the fuel-poor and grant-funded end of the market. I cannot speak to the ones that are not.

Daniel Johnson: To clarify, what is the total value of the schemes that you administer?

Ross Armstrong: For warmer homes Scotland, the budget last year was in the region of £90 million. Warmworks runs some of the area-based schemes. Last year, we managed the funding on behalf of four of the 32 local authorities, and the total budget across those four local authorities was about £10 million.

Daniel Johnson: Do any of the witnesses have insights into why we are seeing those underspends? There are the obvious pressures, and there is evidence of demand for some of the schemes but clearly not for all of them. I wonder what insights the witnesses might be able to provide.

Mike Thornton: I will say, with some trepidation, that I imagine that some of those spending profiles differ because there are different pots in the overall budget. The pots that Ross Armstrong spends from and the pots that the Energy Saving Trust spends from are spent against household demand and so on. As Cassandra Dove was saying, there are other parts of the forest in which the schemes are heavily capital intensive. I imagine that some of those schemes took a while to come through and will contribute to the spending envelope later.

That is my reaction to the figures that you have read out. As Ross Armstrong said, we can only speak about the schemes that we run within that overall budget element, and demand for those is high. For instance, at the Energy Saving Trust, we spend all the budget that the Scottish Government allocates to us each year.

Ross, I do not believe that you have ever had an underspend—have you?

Ross Armstrong: No, we have not reported an underspend in 11 years. However, I appreciate that your question is about the whole envelope and I am speaking only about the fuel-poor end of the grant-funded bit.

Cassandra Dove: For the social housing net zero heat fund, the allocation since 2021 has been between £20 million and £40 million, but the spend

has been between £18 million and £30 million—again, that excludes 2021-22. Therefore, there has been a shortfall each year.

There are various reasons for that. One of the big ones is that we have been expecting confirmation on standards, and that has been key in holding people back. They know that they need to invest in their homes, but there is a risk in doing so when they cannot confirm exactly what is being asked of them or which projects they should prioritise.

The structural challenges around timings are also difficult. When it comes to the timeline dimension, there has been a big improvement over the past couple of years in how the scheme has been run. In its early years, we had really sporadic checkpoints throughout the year—there was no certainty about when they were coming. The application windows are still really short, particularly for our smaller housing associations, and applying for such funds is a big time investment, yet there is no guarantee of a positive outcome. At the most recent checkpoint for that fund, we saw a much bigger hit rate in terms of successful applications. However, in previous years, a lot of projects did not quite make the cut.

There are wider challenges at play in that area, but that is why we have called for a less competitive bidding process, as opposed to a binary approach through which you get one application window per year and receive a yes or no response. The Scottish Futures Trust has proposed enhancing the fund with more support, such as through a support unit, which would mean that projects can be worked through to become investable at whatever stage they are at. That would really support some of the smaller landlords that do not necessarily have the resources to submit speculative funding bids.

Daniel Johnson: Presumably, the approval process for such schemes could be run separately from the funding process, meaning that you could pre-qualify and then, once you have your budget, you would have your list of projects. There is no reason why the funding decisions have to happen at exactly the same time as the decisions on which projects qualify.

Cassandra Dove: Yes, if there was any wriggle room to do that, it would be of big benefit. Historically, the application windows have not opened until the beginning of the financial year, or, sometimes, other points in the year. Anything that we can do to stretch that period in order to, as you say, give people notice that the window is coming, so that they can be more prepared and know the eligibility criteria, will increase the number of projects that come through the pipeline.

Daniel Johnson: Finally, I will ask a question about the Home Energy Scotland grant and loan scheme. Nesta, which does a lot of work around retrofitting and upgrades, has compared that scheme with the boiler upgrade scheme in England and Wales. It observed that the boiler upgrade scheme has seen much higher levels of demand and uptake, primarily because it is installer led, whereas the Scottish process, it said, is more “friction-heavy”. Are there lessons to be learned about how the scheme operates in Scotland compared with the boiler upgrade scheme?

10:15

Mike Thornton: I am aware of the comments made by Nesta and the other organisations that you referred to. It is a matter of policy choices. Although we manage the scheme for the Scottish Government, decisions about how it works are, ultimately, for the Scottish Government to take.

We know that an installer-driven scheme incentivises installers to promote that scheme to potential customers. That has its benefits, but it also has its risks. Installers may promote—inadvertently or otherwise—a scheme that may not be in the best interests of the customer. That is a possibility. The Scottish scheme works in such a way that it goes through Home Energy Scotland advisers, who give highly informed, objective advice that is in the customer’s best interests.

The Home Energy Scotland scheme does not operate like a call centre. The people who work on the phones know a lot about the various schemes. They tend to work for us for a long time, and they are very experienced and expert at providing advice that suits the circumstances of the caller. They will assess the needs of the caller’s house and their eligibility and financial status, to the extent that they are willing to discuss that, and they will work out whether it is in their best interests to take certain measures or to opt for support options such as the Home Energy Scotland loan scheme.

The Scottish Government has talked to us about the Nesta findings, which we acknowledge. We presented it with a range of options for how the scheme could, or could not, be adapted and what the risks and benefits were. The scheme operated is based on Scottish Government decisions on that information.

The only other thing that I would say in response to your question is that we have very high customer satisfaction rates for the Home Energy Scotland loan scheme, so customers like it. Obviously, installers would prefer to have a change. I can understand why that is their perspective, but, as I have said, there are multiple perspectives.

Daniel Johnson: What would you say in response to the comment about the scheme involving a more “friction-heavy” process? You mentioned customer satisfaction, but I have had constituency casework relating to situations in which constituents, to put it bluntly, have not been very satisfied and have found it a very difficult scheme to navigate and apply through.

Mike Thornton: The committee should be aware that there is the potential for people to defraud the scheme. We have state-of-the-art anti-fraud measures in place, which involve the customer supplying us with more information than they might ideally wish to. That is what is producing the “friction” that you refer to. However, I can say that, from time to time, the Energy Saving Trust detects attempts by malign actors to put in false applications, and, in the interests of administering the scheme in such a way that public money is spent correctly and safely, we have to take that into account. It is a difficult balance to strike. We are continually improving the scheme from the customer’s point of view.

Daniel Johnson: Could you clarify that point? What proportion of applications are fraudulent? What sort of value are you talking about?

Mike Thornton: We detect such attempts. One of the things that people have to do in applying to the scheme is verify that they are the person who is applying. People send us pictures that have obviously been doctored, or we get multiple applications from the same address or with the same phone number and so on. We are talking about a very small percentage, but that requires us to put in place administrative measures that minimise the likelihood of such applications getting through.

The Convener: Gary Bouse has a supplementary.

Gary Bouse: Thank you. I refer to my entry in the register of members’ interests: I am a Falkirk councillor and I was housing convener until May this year. Slippage on projects was always one of the challenges that we faced, which ties in with some of the stuff that Daniel Johnson was talking about. Falkirk Council’s housing department was very good. At times, we tended to spend slightly more than we should have, but our concern about the strategic housing investment plans was always about slippage in relation to registered social landlords, which we were constantly working with.

Ross Armstrong has spoken about things being very positive in relation to retrofitting. What challenges are you finding in the labour market? I also come from a construction industry background, and part of what Daniel spoke about is the difficulty of high demand and not quite meeting everything. Is it not possible that that is

also part of the issue? We have a labour shortage at the moment, particularly in the construction industry.

Ross Armstrong: On labour and the supply chain—I am speaking only to the warmer homes Scotland programme and the area-based schemes that we run—one of the differences between the approaches in Scotland and in the rest of the UK is that the Scottish Government has provided really long runways for programmes. You heard from Cassandra Dove that there is not a multiyear approach to all schemes, but with regard to our contracts, warmer homes Scotland has been running unamended since 2015, and the supply chain that we use to carry out the work on our contracts has benefited from an eight-year contract. It was publicly procured and the framework changes, but the current contract has the potential to run for seven years. That is key for supply chain businesses, because it gives them confidence to invest in a long runway. The equivalent programme to warmer homes Scotland in England has a three-year horizon, which is the longest runway that there has been in a programme there since 2012. That tells you about the journey that they have been on. It has been a case of stop-start, stop-start—changing course every two years. The certainty that exists in the supply chain in the programmes in Scotland gives us a huge advantage when we ask the supply chain to ramp up.

In its first year, warmer homes Scotland spent £16 million; last year, it spent around £90 million. The ability to ramp up comes from the longevity, because if you run a heating or insulation business and we say to you, “I need you to find five more teams to do X more jobs per month,” you will think, “That contract could run until 2030—I’m going to do some of that.” When it comes to the supply chain, I always say to people that, if you build it, they will come. If you provide longevity and certainty—a long runway—to these businesses, which are genuinely good entrepreneurial businesses that want to do a good job and grow their business, I do not think that we will find that we have a problem with supply chain capacity, and certainly not in Scotland. However, more generally, the market needs all retrofit and bill reduction programmes to offer the long runway that encourages businesses to invest.

We talk about national infrastructure priorities. In other parts of the UK, some of the national infrastructure priorities run over five to 10 years, because they are genuine infrastructure projects. We should see the retrofitting of our poor-quality housing as a long-term national infrastructure project and, therefore, give the supply chain the capacity to invest in it. In that way, the labour question becomes much easier to manage.

The Convener: I will broaden out the questions, given our limited time today, and bring in Martyn Day.

Martyn Day: Ross Armstrong, you have mentioned a few times that things in Scotland are a bit different from things in England and Wales. Can you expand on that so that we can compare and see what is fundamentally different?

Ross Armstrong: Yes, certainly. I do not want to repeat the last point about longevity and security of supply, but that is hugely important. I will take warmer homes Scotland as an example. The Scottish Government places a range of contractual obligations on us, as the delivery partner, to incentivise high levels of customer service.

In the budget last year, the UK Government scrapped the energy company obligation scheme. One of the reasons for that was that the scheme had attracted a lot of negative publicity regarding rogue installers and poor-quality workmanship. The programmes in Scotland run at much higher levels of quality because the Scottish Government has designed in incentives and targets that are built around the quality of the installation and customer service that is being provided.

For example, we work with a framework of 30 SME businesses. Each of those businesses is paid within 30 days, because cash is king when we are dealing with SMEs and trying to grow small businesses in local economies, and we need to keep the supply chain moving.

I am conscious of the time; I do not want to go on and on. My final point is that supply chain relationships are about long-term relationships. We want supply chains to perform at a high level of quality and compliance. If we get a call to our customer service team at half-past 5 on a Friday afternoon to say that somebody's heating has broken down—those calls will usually be a three-hour drive away; it will be somewhere in Fraserburgh and never in Edinburgh or the centre of Glasgow—we want businesses in the supply chain to drop what they are doing, go and fix the problem and tell us that they have fixed it. However, those businesses will give us such latitude only if they sense that we are in it with them for the long term and want them to grow and succeed.

There are examples of businesses that started on the scheme with a dozen employees and that have now doubled in size—or more—on the back of development opportunities that we have given them. The supply chain development relationship is much stronger in Scotland than it is in equivalent areas of the UK.

Martyn Day: Thank you for that answer and for sending through details in your submission. Your

report on the return on investment suggests that there has been a positive return on social value. Will you expand on that and tell us what we are really getting for our money?

Ross Armstrong: We talk about the costs of funding fuel poverty programmes and retrofitting homes. The report, which was carried out by an independent research agency, shows that, for every pound that is invested in fuel poverty programmes, there is a wider social benefit that is 2.5 times greater. That social benefit comes from reduced pressure on the national health service, increased educational attainment because of children having a warm home in which to learn, and local businesses benefitting from a steady stream of revenue and keeping that money in local communities.

To touch on the point about health, we have multiple examples of people whose homes we have made warmer—we have retrofitted and insulated their homes and provided efficient heating and renewables—and they then do not go to the general practitioner as much or are released from hospital a week earlier than they would have been. You do not need to be an economist to work out that, every time we prevent hospital admissions or readmissions, we more than make back the investment that was made for the retrofit. The report shows that the programmes are investments rather than just costs.

Martyn Day: How many eligible households do you estimate are waiting because referrals are being restricted in order to control spending?

Ross Armstrong: I do not have the exact number in front of me—I will need to write to the committee with the number—but it is certainly in the order of the low thousands.

Martyn Day: My final question for you is this: with a provisional budget of £85 million this year, what allocation for 2027-28 would be needed to meet the levels of eligible demand without restricting referrals?

Ross Armstrong: I will be a bit careful with this answer so that I do not land myself in hot water with the Scottish Government—I will try to keep my answer as factual as I can. This year's budget is already under a huge amount of strain because of the number of people who are waiting and the amount of budget that we have left. With a programme such as warmer homes Scotland, the Scottish Government does not want to talk about restricting access to people who need help, turning people away or telling them that they will need to wait longer. It is a demand-led scheme, and I say with some comfort that, with its current supply chain, the scheme could go 15 to 20 per cent above its current budget level, which would meet the level of demand without dropping a stitch.

Martyn Day: Thank you.

Mike Thornton, how many households receive advice but do not proceed to installation? What are the reasons for that?

Mike Thornton: I cannot quote that figure to you directly. We deal with about 100,000 households per year through the Home Energy Scotland network. We know that the advice that we give is highly effective because 62 per cent of people who take action attribute that action to the advice and information that they have received. Across the lifetime of the measures that are installed, people will typically save north of £2,000.

The difficulty is that you have to look a long way back to find that number; people take the advice and information that we give them, and it is then up to them to decide when they act on it. The figures that I am quoting come from independent evaluations, in which we follow up a sample of households that we talk to every year and ask, among other things, "Have you taken our advice?" Obviously, we are talking about a very long tail; some people might act on our advice immediately, while others might wait a year or two.

I will, if I may, update the committee with the figure, because you are right to point out that it is not in our submission.

10:30

Martyn Day: Thank you for that.

My final question for you is this: what changes to Home Energy Scotland's application process could have a bigger impact on take-up?

Mike Thornton: We are constantly looking at the application process. The committee will be aware, I am sure, that the Scottish Government is conducting some work on the future of advice, but what I can say is that there will be more digital interaction and more use of artificial intelligence. I have already mentioned our expert telephone advisers in HES; that is a relatively expensive approach, and it is obviously much more expensive than interacting digitally and using AI. I know that 100,000 customers represents a significant number, but there are 2.3 million or so households in Scotland, all of which are going to have to make changes over time to meet the Scottish Government's policy targets. If one looks at it like that, one might say that we talk to roughly only 4 per cent of households a year, so it would take us 25 years to talk to all of them once.

The challenge is one not only of scale but of filtering. We have to bear in mind that there are people who are not just not digitally native but digitally inactive, and we need to cater for all those householders. There will always be those who are

vulnerable and who will not want just to receive an email telling them what to do. They will want to talk to and have an interactive conversation with someone, and we have to allow each of those levels to be serviced according to the customer's needs.

That will mean filtering people through a hierarchy starting with digital interaction, if that is what suits them, all the way through to telephone advice. For the most vulnerable customers, the service has a low-volume approach called energy carers, in which people will go and visit them in their own homes. We are talking about highly vulnerable people with very specific needs, and they number from the low hundreds to 1,000—they make up about 1 per cent of the people we talk to. However, you still need such a service, because those people will just remain in what are often quite dreadful conditions without the benefit of any advice.

We are already doing these things—digital advice and so on are available—but we are constantly looking for ways of evolving the hierarchy that I have just described so that we can, in effect, deliver advice to more people at a lower unit cost. After all, that is the name of the game.

Martyn Day: Thank you very much.

I have only one question for Cassandra Dove, as she has managed to cover everything that I had thought of asking. How effectively do our current schemes support more traditional buildings and properties, which will be more difficult, and possibly more costly, to adapt?

Cassandra Dove: I would say that, within that category, there are not only older properties but tenement stock, and one of the big challenges that we face is mixed-tenure buildings, particularly the tenements. They present difficulties not just because they are hard to treat practically and because there are more limitations on what you can do to them—I am thinking of, say, external wall insulation, and the restrictions in that respect. The key issue is the ownership structure and how it works across the different funding schemes. If our members have majority ownership in a block, it is easier to take forward improvement works, but in other cases, you might have a mix of private owners, private landlords and social landlords and it can be difficult even to tackle some of the historical backlog of basic repairs and maintenance, let alone carry out more sophisticated improvements.

The tenement maintenance working group has been doing a lot of work on that, with recommendations on how we can unlock some of the legal challenges and the issues with the funding mechanisms. There are examples where existing schemes, such as area-based schemes

and the net zero heat fund, have been aligned. It is possible to do that but, as I have outlined, it is difficult. Those schemes all have different requirements and timelines, and we could definitely do more to integrate them and unlock projects to the funding that is available.

It is also about standards, though. There have been delays to the heat in buildings bill, and one of our concerns is that, historically, it is only the social sector that has had energy standards imposed on it. We have been calling for a level playing field, which is what we hope the bill will deliver. We cannot have a situation in which different owners in the same block are being asked to do different things. It is about the policy decisions and the funding, and being able to support upgrades, certainly in mixed-tenure blocks.

If we are talking more about more traditional properties in rural areas, most schemes include some form of rural uplift, which accounts for some of those additional challenges. We would like that to continue in order to support more challenging buildings.

Kristopher Leask: I begin by declaring an interest as a member of Orkney Islands Council, particularly as it relates to my questions for panel members. I related to Cassandra Dove's final point—thank you for raising it.

I want to focus on the delivery of the funding programmes in island and very rural areas—an issue that I have observed over the years. I engage with a lot of casework on the issue and I speak to a lot of constituents, be they individuals in households, or businesses, housing associations, all of which face unique challenges in delivering funding. As you mentioned, Cassandra, the sequencing of the funding can be particularly challenging. There is inclement weather to deal with if you are trying to deliver a winter programme of works, but, equally, people are accessing quite unique supply chains and conditions.

What changes would you like to see so that the funding programmes can be delivered, particularly in island areas but also in very rural areas, which often suffer the most acute levels of poverty in Scotland? What changes do we need to make? Is the current funding accessible? Are the current funding levels, be they in overall budgets or rural uplifts, fit for purpose to deliver the change that we need?

Ross, do you want to start? I know that you deliver the area-based scheme.

Ross Armstrong: It is a valid point. As you say, rural communities, particularly island communities, face some of the highest levels of fuel poverty in Scotland and definitely present some specific and

unique delivery challenges. I am proud of Warmworks's track record in the Highlands and Islands. More than 20 per cent of the budget of warmer homes Scotland—the national scheme—goes to the Highlands and Islands. The scheme spends disproportionately more per capita in the Highlands and Islands than it does in some of the more concentrated areas.

As Mr Leask pointed out, we have run Orkney Islands Council's area-based scheme since 2020, and we have run the area-based scheme for Shetland Islands Council. For the past three years, we have also run the programme for Comhairle nan Eilean Siar. We have extensive experience of delivering in all the island communities.

We were clear from the start that, although our delivery model is national in name, it has to be local in experience. Nine of the 30 companies on the warmer homes Scotland installation framework are based in island communities. They are local contractors with local knowledge, understanding and relationships. We very quickly worked out that that was the best route to deliver in island communities. People wanted a local face and the knowledge that, if something went wrong, the installation team had not gone on a ferry south and would take three months to get back. The delivery in island communities must be bespoke to those communities, and it must understand their specific demands and be able to adapt to them.

We are well versed now in the challenges of getting ferries to the outer isles in August and July, when you need to send somebody to South Uist and realise that tourists have filled up the accommodation for the next three weeks and there are no boats. We are well versed in the challenges of delivering in winter, and in ferry timetables and logistics. It goes back to my earlier point. If you have a delivery partner—in the broader sense; I am not talking just about Warmworks—who is really incentivised to make delivery a successful local experience, there is an incentive to invest in those communities, understand what makes them different and adapt your delivery model to suit.

For retrofit programmes and any sort of Government-led national initiatives to work in Highland and island communities, they have to be able to make that investment in understanding what makes those communities tick and the sort of service that people expect, because they are different from the central belt and more urban areas. You need the time to adapt to that and invest in it.

Mike Thornton: I will make a point in response to that question to complement what Ross Armstrong said.

It is true for the majority of the programmes that we operate for the Scottish Government that we

have people in the islands and rural communities who are locally based. That is not only for the warmer homes Scotland scheme but for CARES and Home Energy Scotland. They also have a network of people across the country, including in island areas. The reason for that is that, as Ross has eloquently put it, you cannot help people unless you understand their local circumstances and can interact with them on a local basis as well as a national basis.

The broader point that I would make is that—perhaps it was Ross who talked about infrastructure earlier—I tend to think about infrastructure as things such as bridges and big things that are made of concrete and steel, but through its consistent attention to this area of policy, and its consistent investment, which Scottish Governments of all stripes have always made, Scotland has an infrastructure of people and expertise and so on that, frankly, is the envy of the rest of the UK.

At the moment, Great British Energy is attempting to get a lot of community-owned generation assets in England. There has been very little activity there, but in Scotland there has been CARES for 15 years. We manage the CARES programme for the Scottish Government, so GB Energy is talking to us about how to take the lessons from Scotland and apply them in England, because it knows that they work. However, from the Scottish point of view, the CARES infrastructure has expertise and framework experts that communities can use. It has contact with communities and people who are locally based who can talk to those communities.

I reiterate Ross's point that it is not only about what the outputs are but about what the networks and the infrastructure are, because the Scottish Government can use those to drive whatever programmes it wants in the area. It can flex and it can deliver. For example, during the pandemic, many relevant Scottish Government messages were put out through the network and reached people quite widely.

That is an extreme example that we hope will not be repeated, but as the market for sustainable energy changes, Scotland has the infrastructure to adapt to that and drive it successfully. To be honest, that is probably envied in general by other Governments in the UK. They might not wish to explicitly write that down, but, believe me, they do.

Kristopher Leask: Cassandra, do you have any reflections on housing associations in rural and island areas?

Cassandra Dove: Yes. I will make a couple of additional points. Some really good projects have been delivered through the current fund. I believe that the minister recently went to visit the Hjalmland

Housing Association in Shetland to see one of its projects.

We need to recognise that those areas have a different starting point. They are largely already off gas, but, as you say, the challenge is fuel poverty, so we are trying to address a different problem, and the solutions need to account for that.

We also need to think beyond the challenges of doing the works in the first place. We need to think about longer-term maintenance and what that means in terms of access to contractors over the longer term. If you are installing a heat pump, you want to know that there is an engineer who will be able to come out and repair it should anything go wrong.

There are lessons to be learned from those areas. Heat pumps have been installed in Orkney and beyond for more than 10 or 15 years, and the challenge is that those are now reaching the end of their life. There is a question of where people go for funding support if they have accessed funding previously. They were the early adopters and there was an expectation that prices might have come down by this point, but they have not necessarily done so, which means that those people are getting a double hit and are being penalised for being early adopters.

10:45

The Convener: Rachael Hamilton will ask the next questions.

Rachael Hamilton: Could the witnesses provide a heat map for the relationship between those rural areas that are living in fuel poverty and the delivery of the schemes that residents are taking up? It would be interesting for us to see where there is more of an uptake, so that we can ensure that the funding is being delivered to rural areas to address fuel poverty.

Secondly, I want to challenge Ross Armstrong, who said that the matter of the supply chain is about delivering longevity and about that long runway. Scotland Excel's energy efficiency framework incorporates environmental and social impact factors, and, although Government-led initiatives are expected to deliver value for money, they are also expected to deliver the other policy commitments. Therefore, should the public procurement process be flexed through the energy efficiency contractors framework to allow local suppliers—farmers with natural products and low carbon innovative products, and hyper-local suppliers who have job opportunities for local people—to apply to that framework? Indeed, they cannot currently do so.

Ross Armstrong: I cannot speak for Scotland Excel—95 or 96 per cent of the work that we do is not through Scotland Excel, so the relationship

that we have with it is tangential—and it is a question for it to answer. However, I stand by my initial assertion that Scotland's supply chain has moved from delivering £16 million of revenue under the national scheme 11 years ago to touching £100 million 11 years later, which is clear evidence that it has the ability to ramp up, given the long runway. Your point about Scotland Excel and its procurement approach is well made, but I cannot speak for it.

Rachael Hamilton: Who do you procure through?

Ross Armstrong: As a private organisation, Warmworks runs its warmer homes Scotland installation framework and procures in line with Public Contracts Scotland's guidance and oil and gas best practice. That framework is constantly moving—we have suppliers who leave the framework and suppliers who join it—but we run it and review it annually.

Rachael Hamilton: How do Scottish taxpayers know that they are getting value for money and that jobs are being created locally?

Ross Armstrong: We report to the Scottish Government on a range of metrics through an employment skills plan, which is in our contract. There are 16 individual lines in those metrics, and I would be happy to provide our most recent reporting against them. Since 2015, we have created almost 2,000 jobs, about 5,000 training and reskilling opportunities and about 200 or 300 apprenticeships. We are really proud of our track record in that area of employment, skills and job creation. I could certainly write to the committee and provide more information on that aspect. We also report monthly to the Scottish Government, with a balanced scorecard against community engagement, social value and all the metrics that are outlined in our contract.

Rachael Hamilton: I put the same question on procurement to Mike Thornton.

Mike Thornton: We follow PCS guidelines as well when we procure something—so, the same pattern as Ross has described.

Could you remind me of the second part of your question?

Rachael Hamilton: It was in relation to the objectives set by the Government through procurement, specifically relating to Scotland Excel. PCS will emphasise similar societal and economic benefits and low carbon ambitions, but a lot of local suppliers are not being considered because decisions are based on price. How does that sit with the organisation, and how can that challenge be overcome?

Mike Thornton: We do not normally use Scotland Excel either; as I have said, we carry out our own procurement. In general, we do not measure installation but we provide advice and support. A lot of our funding goes on either staff or staff at the contractors who deliver the Home Energy Scotland network. When we procure for that network, which we do on a five to seven-year interval, we carry out a procurement using PCS rules.

With regard to how the Government holds us to account on meeting our obligations, we have regular monthly meetings with Scottish Government officials to discuss the key performance indicators that are set for us, and, every three months, we produce an extensive report for the Scottish Government covering all our activities and setting out in great detail how we are doing against all our KPIs and so on. The money that we get from the Government always comes with KPIs, as you would naturally expect. Generally, we are consistently in the green on those.

Rachael Hamilton: Thank you. I get feedback from householders who are put off by schemes because there is a capital outlay, which will have an effect on their household budget and their cash flow. If they engage in the process, they have to produce the invoice, which gets paid through the process of the grant. Some individuals have found that unaffordable. Is that set within what is asked of individuals, or could it be changed so that more people would take the schemes up?

Mike Thornton: I am sorry to slightly parrot an answer that I gave earlier, but the rules of the scheme are set for us by the Scottish Government, so it is a matter for the Scottish Government. It comes back to the fact that the requirement for seeing the invoice is to ensure that the money that is to be paid out is actually for the works that are required, so that the programme meets its policy ends. Otherwise, it would be a general loan programme, whereas the Government's loan is a directed loan—it wants to achieve certain things with it, therefore it has to see that those measures have actually gone in.

In managing the scheme, we appreciate that that can cause difficulties for people. If those are extreme, we will take those issues to the Scottish Government and ask, for example, for leeway to adjust and alternative measures.

Every time that somebody is upset about one of the schemes, we take that incredibly seriously and we always try to help that person and find a way around their difficulties. Having said that, the majority of our customers do not find the process to be too difficult.

Our administrative targets are quite tight. We have to respond to all the documents that come in within the norms that have been agreed with the Scottish Government. Normally, people should not be waiting very long for us to process their invoices. It is a matter of days, not weeks. Most people find that tolerable. However, I am sure that there is always room for improvement, for which we are continually looking.

Rachael Hamilton: Do your customers have to be quite wealthy to be able to apply for the schemes?

Mike Thornton: They do not have to be. If I am correct, you are focusing mostly on the loan scheme. Customers do not have to be wealthy but they have to be able to afford the loan repayments. The loan is interest free, but they have spent that money and it is going to have to be paid back from their pockets.

That structure tends to mean that people have to be comfortable with having loans. Crucially, if somebody rings us and says that their income is £500 a month but that they need to take out a £10,000 loan for a heat pump, we might say that, although doing something about their heating system is entirely valid, they probably cannot afford the loan. That is what we are expected to do, given that we act in the interests of the customer and the ability to afford repayments is crucial. We absolutely are not in the business of getting people to take out loans that they cannot afford.

Structurally, I agree with the point that Rachael Hamilton is making in that the scheme is therefore most suited to those people who have a decent and reasonable income and who are comfortable with the financial implications, which will be spelled out to them very clearly, of the loan that they are taking up. That is the nature of things. In broader policy terms, I would say that this tells us that there is a segment of the population that needs grants and a segment of the population that needs loans. Obviously, loans are more efficient funding, from a public purse point of view; however, they are simply not suitable for everybody.

The Convener: I will ask a supplementary question on that. What is the cost of an average heat pump installation, including all the system costs, at the moment? Do you have a figure for that?

Mike Thornton: Ross Armstrong can probably answer that, because Warmworks installs a lot of heat pumps.

Ross Armstrong: Yes. It is really difficult to say what the average cost is, because there is no such thing as an average property. I am happy to write to the committee to provide a more detailed

breakdown of what you would expect the range to be, property by property. However, you could expect a heat pump installation to come in at around the £10,000 mark, or you could expect one to go to £16,000 or £17,000. It really depends on the nature of the property, the size of the heat pump required, the number of radiators and the people who live in it. There are a lot of moving parts in the answer to that question.

However, the market is much more mature than it was 11 years ago, so we see some economies of scale.

The Convener: What would be your normal average grant per property?

Ross Armstrong: Under the warmer homes Scotland scheme, it would be somewhere in the region of £12,000 to £13,000 per property. However, that is across a mix of insulation measures, including minor measures, renewables, solar photovoltaic and glazing. A lot of different measures make up that average number, and the mix varies from property to property.

Kate Campbell: I thank the panel members for their answers so far. All of you have provided food for thought and some very interesting reflections. I have a lot of questions, but I know that we do not have much time, so I will focus my questions tightly.

Mike Thornton, in your written submission you said that Energy Saving Trust is the president of the European Energy Network at the moment. You mentioned that you had been working with partner organisations across Europe to look at responses to the recent energy crisis. I was particularly interested in that, given that we are hearing that the energy price cap might increase by 25 per cent in January. People will be terrified by that prospect—they are already struggling with fuel costs, and that would be a frightening increase. I therefore wonder what lessons you have learned, and whether there are any takeaways, from the conversations that you have been having with partners across Europe with regard to how we might address that.

Mike Thornton: We have a document that summarises those things, which I could share with the committee if that would be helpful.

Kate Campbell: That would be interesting. However, I am also keen to understand what steps your organisation has taken, following those discussions that you have had.

Mike Thornton: Our purpose in sourcing that information was, in effect, to pass it to the UK Government to inform its policy-making process. We are not acting on it directly; we are making it available to policy makers such as yourselves.

The European Energy Network is composed of a load of different energy agencies from 27 countries. They have a lot of information, but it is generally not ordered. You have to put a request into the system and then you can gather the information on the relevant topic.

As president of the network, we thought that this would be a useful topic that many Governments, not only in the UK, could learn from. Therefore, we have organised that information and extracted it into that document. I guess that it is now over to you and over to Governments.

One thing that we found, which may be relevant here, is that it is not necessarily the biggest nations that make the most radical choices. When it comes to its general response to the energy cost crisis that started with the Ukraine war, one of the most interesting nations is Greece, which is a relatively small nation and not one of the most prosperous EU nations, if I can put it that way without being too pejorative. It has taken some fairly radical steps in response to the crisis.

To be honest with the committee, we are simply putting the information out there.

Kate Campbell: That is very interesting. Are you looking for any particular policy announcements from the UK Government or the Scottish Government?

Mike Thornton: No. We are not doing it on that basis. We are not saying, "Look, these people have done this, why don't you do it, too?" We are simply saying that there is a rich tapestry of potential responses. One point that we obviously appreciate, as will the committee, is that what works in one country will not necessarily work in another, in the form of a quick transplant. We cannot simply say, "Let's take that out and plant it over here," because it might simply die without developing any roots.

However, a rich variety of instruments are being used, and we think that it is useful for Governments to have some sight of that, which they may not otherwise acquire in the natural course of their business.

The Convener: Thanks very much. That has been a good discussion. As always, it feels as if we have only scratched the surface. However, thanks very much for your time.

I will end the evidence session there and suspend the meeting to allow for a change of witnesses and a short comfort break.

11:00

Meeting suspended.

11:08

On resuming—

The Convener: We move to our second panel on pre-budget scrutiny in relation to tourism. I welcome, from VisitScotland, Vicki Miller, chief executive, and Jamie Manson, director of corporate services. I invite Vicki to make some opening remarks before we move to questions.

Vicki Miller (VisitScotland): Good morning. We welcome the opportunity to come to committee today to talk about VisitScotland's impact on, and role in, growing the value of the visitor economy. Investment in VisitScotland is an investment in growing the visitor economy, and I would go further and say that our work also grows Scotland's appeal as a place to live, work, study and invest. Importantly, we also provide platforms to market for other key sectors of the Scottish economy, including the food and drink sector and the creative industries, to name but a few.

We are already delivering significant impact with the budget that we have, generating £244 million of additional net economic impact for Scotland's economy in 2024-25. As I outlined in our written submission, the tourism and events sector is one of the most inclusive, scalable and resilient sectors in the Scottish economy and there is a clear opportunity there, which VisitScotland is ready to grasp. We are seeing growth in global travel and there is a strong interest in Scotland as a destination. The visitor economy is also our single largest employment sector in Scotland and has delivered an additional 50,000 jobs since 2020—the strongest job creation of any sector.

Continued focus and investment will be required to enable us to continue to grow our appeal, to convert interest into visits and—crucially—to play our role as VisitScotland in influencing the spread and spend of visitors and the sustainability, resilience and growth of businesses in the sector.

As an agency, we are in a strong position. We have proactively refocused and reshaped the organisation in line with public service reform principles, ensuring that we are future fit with the right roles and capabilities that we need in order to focus on delivering the activity that will best drive sustainable growth. We look forward to discussing those points with the committee today.

The Convener: Thank you. I note that, in *The Herald* today, there is a significant announcement about job losses. It is perhaps worth our hearing some comments from you on that at the start.

Vicki Miller: Two or three years ago, the VisitScotland board and leadership team started really looking—as it has responsibility to do—at the environment that we were operating in, our role as an economic growth agency to grow the value

of the visitor economy, and the budget challenge that we, as a public sector organisation, face. With that information, combined with insight into where our future visitors are going to come from and how we are going to reach them, we started to look at where we needed to stop, start, evolve and do things a little bit differently.

That led us to make some changes in the way that we deliver, particularly around information provision and business support, which had been delivered through a quality scheme. That saw us undertake some strategic work to look at how we evolve; to reshape our business support programme to be free to access and reach more businesses; to offer a broader range of advice to businesses; and to look at the way that we reach more visitors. Significantly, we saw a huge change in the way that visitors are accessing information, and we recognised that we need to be in the channels that they are using. The global market is very competitive, so we had to do that in a more efficient and effective way.

That resulted in our taking decisions to stop delivering information to people on arrival in Scotland in the way that we had been doing, because we recognised that by focusing on earlier in the journey we could deliver more and get a better return for the resources that we have and get people to come to Scotland at different times of year and visit different places. Our influence was greater when we provided that information at a different stage of the journey and, as I said, through the changes that we made in relation to business support.

Those two decisions resulted in our looking at the shape of the organisation and developing a workforce plan to make sure that we have the right roles and skills for the future. That resulted, over three years, in our running a voluntary severance programme and reducing the size of our workforce.

As I said, through that process, we identified areas where we needed to reskill and attract new talent where it is needed—for example, in relation to the growth in digital skills and ensuring that we have a presence in all the right markets. We need people with the right language skills who can operate in the China market, for example. We need a slightly different range of skills than we did as the organisation that we were before. That workforce development resulted in our looking at the shape and size of the workforce to ensure that we had the resources in the right roles and delivering our core functions.

The Convener: Thank you. I will bring in Daniel Johnson.

Daniel Johnson: Good morning. I will begin with an observation. I was looking at the

VisitScotland annual report, but it was for the previous year. When will your annual report for 2025-26 be published?

Vicki Miller: The report goes to our audit and risk committee this month. It is approved by our board at the beginning of December and is laid in Parliament around 8 December.

Daniel Johnson: It is obviously quite difficult for us to scrutinise your figures if we do not have them in front of us. When was your audit completed?

Jamie Manson (VisitScotland): It is not yet complete, but we expect to close the audit this afternoon. We then have a week or so to respond to the points raised in this year's audit, and we will then put that to our audit committee on, I think, 12 November.

Daniel Johnson: Are you audited by Audit Scotland?

Jamie Manson: Yes.

Daniel Johnson: I make that observation just because it makes our lives a little bit difficult. Some of the things that I will refer to will relate to 2024-25 rather than 2025-26. I have been asking the enterprise agencies—I think it is appropriate to ask you the same—to clarify internal costs and the value of the money that goes out the door. With regard to VisitScotland, that is about direct marketing costs and grants. I had to get to page 87 of the annual report before I could identify those. Of your budget, which is around £40 million—it is a little less for last year—is it correct that you spent £4 million on direct marketing costs and £4 million on grants?

Vicki Miller: We have some ring-fenced funding. We run the rural tourism and infrastructure fund scheme on behalf of the Scottish Government. That is a ring-fenced capital fund, and that is grant funding. The only other grant funding that we do is for events, and the value of that is slightly less than £2 million.

On your original question, a key part of our change programme was ensuring that we put as much of our resources as possible into economic growth activity. It is important that that includes the people who we need to deliver that activity. In order to undertake that work, we have increased the percentage of our core grant in aid that goes on economic development activity from 58 per cent to 73 per cent. That includes staff who are going out and engaging in the market with airlines, tour operators and other strategic partners. It includes the staff who are based on the ground, working with destination organisations and local authority partners—to input to and help develop regional tourism strategies and regional events strategies—and contributing to regional economic partnerships. Very often, that is work on the shape

and the framework of the visitor economy activity in the regional economic partnership and on our marketing activity, so the work involves a broad range of activity.

Daniel Johnson: From looking at your annual report, I slightly struggle to understand the breakdown of how your people are organised—the balance of resource in terms of the internal cost and then the external spend. In other words, how much money are you spending on adverts that are reaching other markets or internal markets? That is not to say that the work that you described is not important, but I am trying to understand the balance between the support work and marketing work and then what is being spent on your people and the cheques that you are writing to deliver the things that potential customers will see.

Vicki Miller: When you take off staff costs—if that is the question—our activity budget is around £18 million. However, we will not drive growth only by running marketing campaigns. The other work that we do on international engagement activity is what is unlocking and driving some of the increase we are seeing in international visitor numbers. That includes the work that we do with airlines and tour operators, and those relationships in particular are really important in getting more people to come here and spend money—and, importantly, spread the spend across the country—and in helping to tackle issues such as seasonality. That is key work; it is not just about the marketing campaigns. Jamie, do you want to add anything on the figures?

Jamie Manson: We spend around £18 million on non-staff costs—or activity expenditure, as we would call it—of which £4 million is set aside for organisational development such as investment in our websites, our technical staff and so on and the procurement of information and communication technology equipment licences. The other £14 million is directed at economic activities. We have a similar figure for staff costs, which are based not only on our marketing teams but on our place and business development teams. Broadly speaking, then, I would say that 73 per cent of our core grant in aid is spent on directly impacting the economy.

Daniel Johnson: But the majority of that 73 per cent is your own staff costs.

Jamie Manson: It is staff costs and non-staff costs.

Daniel Johnson: I am not saying that that is not right—it is just that that sort of breakdown does not leap out at me when I look at your annual report. When we come to scrutinise value for money, we have to look at the balance of your activity—these are really critical questions for us. Does that make sense?

Jamie Manson: I think that it is a valid point. We are always stuck between having to meet very stringent financial reporting requirements, as required by His Majesty's Treasury, and other accounting standards, and what we can put in the narrative.

Daniel Johnson: But my observation is that you can obviously do that, and go beyond that, too.

Jamie Manson: We can.

Daniel Johnson: I want to draw a comparison with the Irish tourism board. It has a bigger budget of about €100 million, and it spends around €70 million on marketing, around €20 million to €25 million of which it describes as core costs. I realise that this is an apples-and-pears comparison, but from an initial analysis it strikes me that its balance is tilted more towards external spend, with a lower amount used to meet its own internal costs. Have you done any analysis of your peers and how they strike that balance? What are your observations on that?

Vicki Miller: The situation in Ireland is quite unique, because it has three agencies that do the job of VisitScotland. There is Tourism Northern Ireland, which focuses only on domestic tourism, but the Northern Irish Government also gives money to Tourism Ireland to support the marketing of Ireland internationally. There is also Fáilte Ireland, which by and large puts money more into infrastructure and business development.

Therefore, there are effectively three agencies, with quite a large footprint—I would imagine that the number of people involved is closer to 1,000. We now number 328, and, as you will have seen from our submission, we are focusing our work on three key areas. First, there is market development, and we are, through a market prioritisation exercise, ensuring that we are not only growing the markets that are important for Scotland today but investing in the markets of the future.

There is also place development and our work with regional partners. Obviously, we are interested in spreading any benefits across the year and across the season, so we need good data and insight in order to inform regional tourism strategies. We must also ensure that we are leveraging the investment from local authorities and other funding streams—I am thinking of, for example, Inverness castle. Where significant investment is available, how are we helping a particular destination leverage it? There is also our work to support businesses.

Our activity covers those three pillars. As I have said, three agencies undertake that work in Ireland.

Daniel Johnson: Finally, Audit Scotland observed in a recent report that, in its view, VisitScotland should have more standardised KPIs. I think that that speaks to some of what we have been discussing this morning, and I would be interested in hearing your reflections on its comment.

Secondly, what progress have you made towards developing those KPIs? After all, they would be very helpful in the sorts of conversations that we are having across the table.

Vicki Miller: As part of our work on our strategic change programme, we have looked at our operational and strategic KPIs and the wider outcomes, which are, I guess, the contribution that we make to, say, the national performance framework and the national strategy for economic transformation. All of that is recorded in our annual report.

As for operational KPIs, we now produce for our board a quarterly report that is aligned with our business plan for the year. We have not only a three-year corporate plan but an annual business plan. The annual business plan includes a set of operational metrics from which I, the board and our leadership team can assess the ongoing performance of the organisation. We assess impact and outcomes each year using an economic measurement framework. We have an economist who does that, working alongside the office of the chief economic adviser in the Scottish Government. It is designed to green book standards, and we publish that economic measurement report annually. The key figures go into our annual report and accounts, as does the wider contribution that we make to other Government priorities.

We have made good progress. The area that was missing was having annual operational KPIs and being able to look at performance year on year. We have addressed that through a new annual planning process and the development of an annual business plan.

Rachael Hamilton: Would you talk me through the recent restructuring of the workforce? The closure of iCentres was one of the impacts on the workforce. What has been saved through the restructuring in terms of redeployment, retraining and voluntary redundancy?

Vicki Miller: As a result of the changes that we made, 218 employees were directly impacted. Of those, 165 left through a combination of voluntary redundancy, natural attrition and, where fixed-term contracts were used for employment in our iCentre network, contracts not being renewed. Of those 165, 138 left through voluntary redundancy and 25 left through natural attrition. We redeployed 53 employees in the business, which was done

through a combination of redeployment, internal recruitment and job matching in the workforce planning exercise that we undertook.

Rachael Hamilton: Are there currently no surplus staff or individuals who were not redeployed, so that you do not have any staff who could be described as “ghost staff”?

Vicki Miller: We currently have three staff who are in what we have called a “tasks and project pool”. Our priority for any colleague who is in that situation is to ensure that we are giving them meaningful work. We work across the business to look for projects that they can deliver that match their skill set. However, two of those employees are likely to take voluntary redundancy in the next period.

Rachael Hamilton: Did you state how much you have saved through restructuring?

Vicki Miller: If we had retained the 218 employees, we would have been looking at an additional cost to the organisation of £32 million over the next five years.

Rachael Hamilton: Will you take me back to the reasons why you were forced to make those decisions?

Vicki Miller: It was for strategic reasons that we, along with our board, made the decisions.

I think that I have mentioned at this committee before that, if we look at the ways in which our visitors plan and book their holidays now, with the changes in the digital world around us and the introduction of artificial intelligence, we can see that they plan and book ahead. In international markets, they typically use online travel agent platforms to do a lot of the discovery and booking work. If they are not using online platforms, they are using tour operators and travel agents, which is why it has been important for us to look at increasing the resources that we put into our market development team to build those relationships.

We have found that, typically, once people are here, it is almost too late to influence where they go, how long they stay for and what they do. The biggest opportunity that we have is to get to them before they arrive in Scotland. That is where we can make the most measurable difference.

In relation to iCentres, if I look at my counterparts in other destinations, information centres are not run by the national organisation; there are local arrangements. Perhaps you will remember that we inherited the iCentre network through the merger of the area tourist boards back in 2005. The funding that we got at that time to contribute to the running costs came from local authorities, but we no longer get that contribution.

Our decisions were strategic and related to where we could drive the greatest impact and examine our role as a national organisation, and to where we are best placed to make a difference to Scotland's visitor economy. It is about recognising that ours is a changing world and that we need a different approach.

11:30

Rachael Hamilton: The Association of Scotland's Self-Caterers recently conducted a survey of all its members, of which there are hundreds, and said that it is uncertain about the future of self-caterers' businesses in the tourism sector. Will VisitScotland do an impact study on the recent introduction of short-term let licensing? There have already been warnings about the lack of accommodation in Edinburgh. With regard to remote and rural island communities, will an impact assessment be done to reflect either a benefit to or a negative impact on tourism?

Vicki Miller: The short-term let sector is a hugely important part of the visitor economy. It provides accommodation for longer stays. It also offers inclusive accommodation, particularly for people for whom hotel accommodation might not be suitable and, in many cases, more affordable accommodation. In rural areas, such as the Scottish Borders and Dumfries and Galloway, self-catering accommodation makes up the majority of the available accommodation.

The short-term let data that the Government published suggests that the number of available properties to let across rural Scotland remains fairly balanced; where we have seen a reduction is in city accommodation. There is an indication that it is more flats that have gone, and that the focus, particularly in the cities and perhaps throughout the country, is now more on whole-property accommodation.

It is an important sector and we continue to monitor it. We have access to accommodation occupancy data, and we work closely with the trade associations to understand the forward look on bookings—we are seeing changes to booking patterns and behaviour, and we are conscious that, as an organisation, we must ensure that we support businesses to reach new audiences and markets. That is one of the reasons why we reshaped and redeveloped our business support programme.

Rachael Hamilton: Could you reassure me, and people who are listening in, that VisitScotland will continue to monitor the impact of any regulations?

Vicki Miller: Absolutely. That is something that we do and, obviously, we have access to the relevant data. One area that has been key for us

is growing organisations' data insight capability, and we are best placed to do that. We can inform national and regional conversations about product, capacity, availability and the investment that might be needed.

Kate Campbell: I want to put forward the other perspective on short-term lets. In Edinburgh, more than 6,000 people are in temporary accommodation, in part because of huge pressures including the loss of around 10,000 homes from the sector. I was very interested in what you said earlier about spreading the impact of tourism across Scotland. People often fly into Edinburgh and maybe spend a couple of days here, but how do we get them to go to parts of Scotland that are less visited? That question feels crucial to me. If we want more tourists in Edinburgh, I feel that they should be in hotel bedrooms instead of houses. I am interested in your view.

Globally, there has been quite a lot of tension between local people and tourism industries, with local people feeling that there is overtourism, especially in cities. I think that the way to achieve the necessary balance is by respecting the needs of people who live in those cities. In a sense, I am seeking the opposite kind of reassurance from that which Rachael Hamilton sought, in that I am keen to hear that VisitScotland will not position itself against regulation that seeks to achieve a better balance in our cities.

Vicki Miller: Our role is to help businesses to navigate regulation and to provide data and insight to Government and local authorities on what is happening in areas to inform decisions on occupancy, investment, quality and so on.

Sustainable growth is central to our strategic approach. We recognise that it is important for us to have relationships with all our regional partners across the country. That is why we have structured the focus of our organisation around the three pillars. Place development is really important. We also monitor community sentiment.

We are all about sustainable growth. We work with destinations to understand where there is capacity or where there are particularly pressured periods, and how we can ensure that we do not add to that pressure but spread the benefit. In an area that might be busy in the summer but which has capacity in the winter, we focus on how we can work with that destination to extend its season.

It is very much a case of working in partnership to achieve sustainable growth. An important way of doing that is by influencing people. We have changed the way that we work and the way that we deliver information by putting resources into ensuring that we provide information to visitors before they get here, because that is what will

make a difference. More international visitors are visiting more parts of the country, which is good for our communities because they stay longer and they spend more.

In Edinburgh, the focus is on working with our destination partners. We are part of the regional economic partnership, and we work very closely with all partners in the city. We want to spread the benefit across the city so that it is not congested. Equally, we are looking at where there is capacity.

There is not a one-size-fits-all approach. It is important that we have the data and the insight to inform our understanding of capacity and that we tailor what we do through our marketing and our all-important relationships with tour operators and travel agents, so that we can influence people to make the right visits to the right places at the right time of year.

There is work to do, because although there is a positive story to be told about the growth of international visitors, the number of domestic visitors is reducing as a result of cost of living pressures, which are having an impact especially in some of our rural areas. To ensure that we get the balance right, we need to work in different ways around the country.

Gary Bouse: You have partly answered my first question. Both my questions are about how you use the money that you have. How do you test areas before you decide to invest in them to create demand? What actions do you normally take when considering, for example, new events in an area? For example, Falkirk is lucky enough to have the two lovely horses known as the Kelpies.

Martyn Day: They are actually in Grangemouth.

Gary Bouse: That is not to be argued about here, Martyn.

Falkirk West is very lucky to have had the development of the Kelpies. If a new proposal is made, what work do you do to test it?

I also have a question about how funding is allocated, both geographically and seasonally. People from outside Edinburgh, Glasgow and Dundee see a lot of money going into the big cities, but many parts of Scotland, such as the Borders and the Highlands, are outside those cities. Will you say a wee bit about that as well, please?

Vicki Miller: There has been strategic investment in infrastructure, including in key attractions such as the Kelpies, the Falkirk wheel, the new Perth museum and Inverness castle. We have regional directors based around the country who work with our local authorities and destination partners, including industry.

We have regional plans and we consider what interventions by VisitScotland might be needed to

help each destination to grow and make the most of new investment. I give the example of the Inverness castle attraction, which is fairly new. We had a team there advising on aspects such as the visitor experience, the retail offer and routes to market, and helping the organisation to shape and develop its travel trade offer. We are supporting it to go to VisitScotland connect—our big travel trade event, which happens every year. Through it, we bring 330 buyers, such as tour operators and travel agents, to Scotland to connect them with existing and new businesses. The process is very much about working with the organisation on its story and ensuring that we have content that we can put out through our marketing activity to tell that story through our channels and campaign activity. It is very much a 360-degree approach that covers everything from the visitor experience to business support and the marketing of any new investment.

The same principles apply to how we work regionally. I meet local authority chief execs regularly, and my colleagues meet heads of economic development in local authorities. We contribute to regional economic partnerships, too, the majority of which see the visitor economy as a key lever that they want to pull to drive growth in their areas. Our job is to provide data insight and a global perspective on what is happening—the product that they have, where investment might be needed, and what we can do to support businesses in their area. In areas that have a large footprint of domestic visitors, such as Stirling, Falkirk and Clackmannanshire, the opportunity lies in asking how we could get more international visitors to those destinations and turn more day visits into overnight ones. We will always take that insight and work through those questions with our partners to ensure that we are shaping an action plan that is relevant to the destination.

Gary Bouse: I understand that a big development is about to start on the Falkirk wheel—Scottish Canals is about to put quite a bit of money into it—so I hope that we will see you in my local area very soon.

Vicki Miller: Absolutely. Scottish Canals is a key partner and I met it recently to hear about its plan; it is exciting.

Gary Bouse: Very exciting.

The Convener: Martyn Day, are the Kelpies in Grangemouth—yes or no? [*Laughter.*]

Martyn Day: I wanted to ask about the visitor levy, which has been in place for a couple of years and which more areas are taking up. What do the stats tell us about its impact? Do we have any assessment of it? Does it make any difference to the number of people who are coming and the length of stays or do people migrate from areas with a levy into areas without one?

Vicki Miller: It is too early to tell. I go back to the previous question and say that we will continue to closely monitor the matter. As each local authority goes out to consult on whether it will introduce a levy scheme, we will always take the opportunity to respond to that consultation; we are also on hand to provide any data insight or to help local authorities to navigate the legislation.

VisitScotland's role in relation to the levy was that a duty was put on us by Government to create the statutory guidance for local authorities that were looking to develop a levy scheme, and we keep that guidance up to date. We are really on hand to guide local authorities as they seek to make that decision to go out to consultation, and we will always respond.

Our position on the matter is that not every destination is Edinburgh, which is quite unique in relation to its footprint of international and rest of UK visitors. Therefore, we encourage every local authority to think about the implications of a levy and whether it is the right time to think about its visitor mix—whether it is mostly domestic visitors from within Scotland, from the region or outwith—with industry and stakeholder consultation, to decide whether it is the right thing to do.

11:45

Kristopher Leask: There are two areas that I want to discuss with you, Vicki, but, first of all, I want to thank you for your opening comments.

I was really pleased to see the rural tourism infrastructure fund identified as a budget priority in your submission. I know that I have said this before, but I should put on the record that I have first-hand experience of that fund being really impactful and making such a huge difference, particularly in areas where there is no proportional link between the size of the population or the local budget, and the capacity to enable the scale of tourism that can be hosted from a national perspective.

It would be useful to hear your reflections on what more we can do to maximise the impact of that fund. Can you give us more information on where the RTIF is being spent, how it is being delivered in different parts of the country and VisitScotland's experience of the limitations on delivering RTIF money in different areas? Have you had any conversations internally or externally about, or do you have any thoughts on, how that budget can be prioritised to deliver what is essentially place-based infrastructure investment?

Vicki Miller: I agree that the RTIF has made a huge difference. I chair a visitor management steering group that is made up of a mixture of local authorities, national park authorities, Forestry and Land Scotland and NatureScot—indeed, everyone

involved in delivering, and ensuring that we deliver, a quality visitor experience on the ground—and I know that the fund has made a huge difference to the national parks and local authorities around the country.

We have used that funding to support the development of strategic infrastructure plans. We have been working with local authorities and the national parks to look at the infrastructure that is going to be needed and at the pressure points that we need to address through better infrastructure, but we are also looking further ahead at what might be needed in the years to come. We continue to keep those plans up to date because, clearly, what happens on the ground will change.

As part of our work, we have asked for flexibility to look at how we might invest in everything from, say, accessible toilets and car parks to motorhome, caravan and camping hook-ups because, after all, what is needed to improve infrastructure will vary around the country. We have also wanted to get ahead and look at where we might be more innovative in what we do and how we can use the fund to support, for example, digital infrastructure or sustainable transport. We do not have the funds to put in sustainable transport, but, through the visitor management steering group, the national parks have been doing some great pilot work on getting that modal shift and moving people on to buses and trains.

On the digital infrastructure side of things, we have been working closely with the Loch Lomond and the Trossachs national park on a scalable pilot project to gather more real-time data—that is, traffic and car park data using sensor technology and other transport data—so that the parks can be better prepared and can better plan for things. Moreover, with that sort of data, digital signage can be used to provide information to visitors in advance. For example, if a particular car park were to get full on a busy day, that information could be signposted before drivers reached that destination.

That steering group has a number of sub-groups that have looked at different issues such as caravanning, camping and motorhoming; we have examined modal shift and sustainable transport; and we have looked at streamlining our messaging across agencies to ensure that we are consistent in promoting responsible behaviour. In that respect, NatureScot has previously received funding to put more rangers on the ground in order to educate people and, perhaps, prevent things from happening.

Our assessment as a collective is that we need to invest in all of those things to make a real difference to the visitor experience. In fact, we are in the process of putting a paper to Government on

the investment required to support all of the things that I have just outlined.

Kristopher Leask: That is reassuring to hear. That needs to be supported and bolstered. I see the impact of it in my own region in particular.

The other area that I wanted to raise with you is the move to regenerative and community-led tourism that we are seeing in pockets of the country. There is a part of public assets that may be getting transferred to particular groups, or initiatives are being taken by communities who see a problem, with tourism not being delivered in the way they want it to be for their place—and they are taking a more active role in that.

We are seeing that across the region more and more, including at the tomb of the eagles in South Ronaldsay in Orkney. Over the summer I visited Wick River Campsite, which is run by the Wick Development Trust. It is one of the highest-quality campsites on the whole of the north coast 500. It is full the whole summer. It is a great initiative, which is now enabling other work. At the other end of the spectrum, in Shetland, community halls are opening up for cruise excursions and are serving teas, coffees and food. They are playing an enabling role in the wider impact of tourism in that local economy. Could you talk a little bit more about how you are doing outreach with community groups in that strand of tourism besides the work with businesses that you have already spoken about?

Vicki Miller: Under the national strategy, Scotland outlook 2030, an industry leadership group comes together on a regular basis. We have looked at taking a strategic, medium-term and long-term approach to the things that will make a difference to the visitor economy. One of the missions of the work that we have been doing involves community tourism. We have a great organisation called the Scottish Community Tourism organisation, or SCOTO, which is represented on our industry leadership group and leads the community tourism mission. The work that SCOTO has done, which we support, involves running what it calls “Press Pause” initiatives with communities. Referring back to an earlier question, that is about ensuring that communities are engaged in the visitor economy and that they have a say in what they would like to happen locally.

There is an opportunity around community initiatives, which could themselves attract visitors to the destination, providing valuable income to support other services that the community might need. We have seen some great examples of that around the country. VisitScotland works closely with SCOTO, and we see an important role and responsibility for us to understand that community

sentiment and to work with destinations where there is both opportunity and challenge.

The Convener: Building up to a conclusion, and on a more general point, if you were to give a report card on tourism in Scotland, where are we doing well, where can we improve and where are the real opportunities? What would you say, in a brief manner, in a report card?

Vicki Miller: I would say that we are doing better than other parts of the UK. Coming out of Covid, we have recovered faster. We have grown the value of international tourism to Scotland, outpacing other parts of the United Kingdom. There is still work to do, however, and we have only got to this place with strategic investment through businesses in Scotland, the work that local authorities and destinations do to invest in infrastructure and the work of VisitScotland. It has been a collaborative effort to put Scotland in front of the right audiences and in the right markets.

We now need to get a better balance across the country—particularly for international visitors, because of their value—and into more of the regional parts of our economy. That has been important, and it will continue to be important, because it is where we are seeing growth. It has helped to counteract a reduction in domestic tourism as a result of the cost of living. We are on a strong trajectory, but it will require continued investment. We cannot underestimate the competitive landscape in which we are operating and the significant budgets that other destinations have. VisitScotland represents value for money in delivering that growth.

We would like to go further, however. To go back to my remarks at the start, there is an opportunity in that travel is growing globally, and the visitor economy is at the heart of the Scottish economy. It is the one sector that is creating more jobs—it has the ability to do that and to go further—but we need the right conditions and the right investment.

The Convener: You have almost answered this in your response, but, if you had extra money, where would you spend it?

Vicki Miller: It would very much be about the internationalisation piece, because the level of funds that we have at the moment only take us so far and I want to ensure that we diversify the market mix. There has been really strong growth in the US market, for example—it is not the only market in which there has been growth, but it has been the most significant—but we do not want to be wholly reliant on one international market. To reach bigger audiences in our core markets and to start to look at the markets that will be important, such as China and India, from which outbound travel is increasing, will require additional investment.

The Convener: On the other side of the coin, if you had less money, would that be value destructive for the Scottish economy?

Vicki Miller: The challenge that we face as an organisation is that, due to inflationary pressures, including wage inflation, receiving less money would mean that we would have less to invest in our important economic growth activity. We would lose the headwind that we have achieved through the work that we have done in our strategic change programme, which has got us to where we are today in having more money to put into that economic growth activity.

The Convener: Thank you. It has been another good session, and I thank Vicki Miller and Jamie Manson for their time this morning.

I briefly suspend the meeting to allow our witnesses to leave.

11:56

Meeting suspended.

11:58

On resuming—

Sporting Events Bill

The Convener: Agenda item 5 is consideration of a supplementary legislative consent memorandum on the Sporting Events Bill. As members will see from paper 5, timing is tight for scrutiny of the third supplementary LCM. The committee previously took evidence on the original LCM and the first two supplementary LCMs, and, in our report, we recommended that the Parliament should agree to the Government's motion giving consent.

As members have no comments on the third supplementary LCM, is the committee content to again recommend that the Parliament agree to the Scottish Government's draft motion giving consent?

Members indicated agreement.

The Convener: Are members also content to delegate authority to me, as convener, to approve a short factual report on the supplementary LCM?

Members indicated agreement.

The Convener: That concludes our business in public. Our next meeting will be on Tuesday 3 November, when we will consider a legislative consent memorandum on the Commercial Payments Bill and the committee's work programme.

12:00

Meeting continued in private until 12:26.

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