

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 7 November 2007

Session 3

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ECONOMY, ENERGY AND TOURISM COMMITTEE

7th Meeting 2007, Session 3

CONVENER

*Tavish Scott (Shetland) (LD)

DEPUTY CONVENER

*Brian Adam (Aberdeen North) (SNP)

COMMITTEE MEMBERS

Gavin Brown (Lothians) (Con)

*Christopher Harvie (Mid Scotland and Fife) (SNP)

*Marilyn Livingstone (Kirkcaldy) (Lab)

*Lewis Macdonald (Aberdeen Central) (Lab)

*Dave Thompson (Highlands and Islands) (SNP)

*David Whitton (Strathkelvin and Bearsden) (Lab)

COMMITTEE SUBSTITUTES

Nigel Don (North East Scotland) (SNP)

George Foulkes (Lothians) (Lab)

Alex Johnstone (North East Scotland) (Con)

Liam McArthur (Orkney) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

Fiona Hyslop (Cabinet Secretary for Education and Lifelong Learning)

Mike McElhinney (Scottish Government Enterprise, Energy and Tourism Directorate)

Jamie McGrigor (Highlands and Islands) (Con)

John Swinney (Cabinet Secretary for Finance and Sustainable Growth)

CLERK TO THE COMMITTEE

Stephen Imrie

SENIOR ASSISTANT CLERK

Katy Orr

ASSISTANT CLERK

Gail Grant

LOCATION

Committee Room 1

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 7 November 2007

[THE CONVENER *opened the meeting at 09:31*]

Decision on Taking Business in Private

The Convener (Tavish Scott): Good morning and welcome to the seventh meeting of the Economy, Energy and Tourism Committee. Christopher Harvie will join us in a minute or two and Gavin Brown will not be with us this morning for personal reasons, but we hope to see him back in a week or so.

Agenda item 1 is a decision on taking business in private. Are members content to take items 5 and 6, which relate to budget advice and to our tourism inquiry, in private?

Members *indicated agreement.*

Enterprise Networks and VisitScotland (Reform)

09:31

The Convener: Item 2 is the reform of the enterprise network and VisitScotland. I am pleased to welcome the Cabinet Secretary for Finance and Sustainable Growth, John Swinney. Please excuse me for stumbling over your title, Mr Swinney. I am still struggling a bit with all the new titles, including my own. In addition, we welcome the cabinet secretary's officials, whom I am sure he will want to introduce. I recognise one or two of them.

I will ask the cabinet secretary to begin by making a statement, and then we will ask questions.

The Cabinet Secretary for Finance and Sustainable Growth (John Swinney): I am glad that your eyesight is so proficient that you can read the title on my name-plate from that distance. I am joined this morning by Graeme Dickson, director of our enterprise, energy and tourism directorate, and by Wilson Malone and Suzanne Henderson.

I am grateful for the opportunity to appear before the committee to discuss the enterprise networks reforms and to explain the thinking behind the Government's proposals. As I said in my statement to Parliament, both Scottish Enterprise and Highlands and Islands Enterprise have the Government's continuing support, but change to make those bodies as effective as they should be was required and, in my view, long overdue. The enterprise networks themselves recognise that. The Government's aim is to create an efficient, effective and accountable mechanism for delivery that will make a clear and attributable contribution to improving Scotland's sustainable economic growth rate. I believe that the proposals will achieve that objective. I welcome the positive endorsement of the proposals by a number of organisations, including the Scottish Chambers of Commerce, the Federation of Small Businesses and the Confederation of British Industry Scotland.

The aim of our proposals is to enable the enterprise networks to focus their efforts and resources where they can have the greatest impact on the economy. In future, they will be focused on supporting innovation and investment in key sectors and companies that are regionally or nationally significant and which have growth potential.

I am aware of a number of questions from parliamentary colleagues concerning the proposals for the removal of local enterprise

companies and the arrangements for regional business advisory boards. I understand that members are keen to ensure that economic development continues in their areas and that it responds to local priorities. The Government shares that objective, but I do not believe that the response to those concerns from members is the status quo; nor, indeed, was that the view of many of the local enterprise company chairs whom I met prior to the announcement of our reforms.

The enterprise networks will continue to operate their existing local offices, which will still respond to the economic development needs of their areas. I have made it clear that, where there are strong and effective local partnerships, they should remain, and that business engagement must continue to drive economic development activity. I will return to that point shortly.

Far from diminishing local input, I want to encourage greater cohesion between local, regional and national economic delivery. Greater cohesion is one of the objectives behind the creation of the strategic forum for the enterprise and VisitScotland networks. It is vital that the activities of both networks are aligned in pursuit of economic growth. That will be my clear message to chairs and chief executives of the organisations at the first meeting of the forum on 20 November.

On local delivery, discussions are taking place between the enterprise networks, local authorities and the Convention of Scottish Local Authorities on the transfer of the management of business gateway contracts to local authorities. Work has also begun on the task of determining which projects are local and which should remain with the enterprise networks. I assure members that funding commitments for existing projects will be met and that a commonsense approach will be taken to deciding where lead responsibility should lie.

I mentioned the importance of securing business engagement in economic development activity. Business engagement will take place through two channels: regional advisory boards and the industry sectors. As members are aware, there are successful examples of such engagement, particularly with financial services—the First Minister, the Minister for Enterprise, Energy and Tourism and I are engaged in detailed and focused discussion with key companies in that respect. It is important to remember that our priority must be to respond to the needs of businesses in Scotland, providing them with the support that they require and enabling them to achieve their potential. Our reforms are about providing high-quality, effective and efficient services to business, which will ultimately make the kind of improvement in Scotland's economic growth rate that the Government seeks.

The reforms are coherent and sensible and will have a significant impact on the enterprise networks' ability to deliver for the Scottish economy. They have been developed with the needs of business in mind and will allow the enterprise networks to focus on their strengths. They will enable Scottish Enterprise and Highlands and Islands Enterprise to make a greater impact. The reforms will also bring greater integration and cohesion between local, regional and national economic development and will draw together the work of the enterprise networks and tourism organisations. I am determined that our reforms will make a significant contribution to improving Scotland's economic growth rate. I am sure that we all share that goal. I look forward to answering the committee's questions.

The Convener: Thank you. During recent weeks I have been reading a number of management tomes—as your deputy is keen to instruct members to do. An important consideration that emerges from such work is the need to sort out strategy before structure. The Government has not yet published its economic strategy but has decided what the structure should be. Are you doing things the right way round?

John Swinney: There is a tremendous amount of academic debate on whether strategy or structure should come first—you are right about that, convener. My judgment on the issue was twofold. I wanted to provide an adequate opportunity for a wide variety of players to discuss and consider the formulation of the Government's economic strategy. Discussions took place during the summer and subsequently—indeed, there were extensive discussions about all the issues in advance of the election campaign. I was particularly anxious to ensure that there was meaningful input into the formulation of the Government's economic strategy from the Council of Economic Advisers, which was scheduled to meet for the first time in late September.

The strategy will be published next week. I do not know whether I have written to the committee yet to advise you of that—I am aware that I am advising you now—

The Convener: Thank you for that.

John Swinney: I might have told you a bit earlier than I was supposed to do.

Next week is the earliest time at which we could publish the strategy. My judgment was that to prolong beyond the end of September uncertainty in the enterprise networks about restructuring would be to prolong uncertainty for too long. I had a timescale in mind and judged that it was important to provide clarity for staff in the organisations. The economic strategy will inform

the strategy that will be pursued by the organisations.

The Convener: You mentioned the Council of Economic Advisers. The committee took evidence from Sir George Mathewson at its most recent meeting. He made it clear that he was not consulted on the structure of the enterprise networks before you made your announcement.

John Swinney: That is correct.

The Convener: You established the CEA. Did you consider asking it for its view?

John Swinney: The CEA has a proper and full role at the level of considering the economic strategy—that is the most appropriate focus of the council's work and expertise. Some of the detailed organisational alignment of organisations is more properly the business of ministers, taking guidance from those who are involved in the running of the enterprise networks and those who use those services.

We have to be careful. If I were to take the view that the Council of Economic Advisers should be consulted about the composition and the structure of the enterprise networks, I could make an argument for it to be consulted about everything else in government. We have to be careful that we use the talents and resources of the council in a focused way to enhance the formulation of strategy by the Government.

The Convener: I acknowledge what you say, but I think that we also heard some interesting views from Sir George Mathewson on the role of local government.

Brian Adam (Aberdeen North) (SNP): The tenor of what you are about to do, cabinet secretary, is about refocusing activity. Undoubtedly, when that happens, some costs will be incurred to achieve the change. Some of those costs will be one-off costs and, hopefully, there will be some reduced long-term running costs. Can you give us an idea of what the one-off costs might be in relation to changes in personnel or facilities and what the long-term implications for budget lines might be? If not, can you tell us when you might be able to give us those figures and suggest when the changes might begin to contribute to efficiency savings?

John Swinney: The strategic spending review will be announced next Wednesday and I cannot yet discuss its implications for the on-going budgets of various organisations and elements of the public sector.

There will be realignments of the budgets of Scottish Enterprise and Highlands and Islands Enterprise as a consequence of the transfer of responsibilities that we have announced, although those realignments have yet to be determined.

Discussions are already under way—some are taking place today, in fact—between Scottish Enterprise, Highlands and Islands Enterprise and COSLA about those issues. The Government is facilitating those discussions to ensure that the proper reallocations of resources are carried out.

On the wider perspective of the cost of the Government's proposals, I do not think that the proposed realignment in itself will bring about any significant costs. However, costs will be associated with our decision to ensure that Scottish Enterprise and Highlands and Islands Enterprise are slimmer and leaner. Members will have seen press commentary at the weekend about the fact that Scottish Enterprise has embarked on a consultation exercise with the relevant trade unions about a voluntary severance programme. I expect the costs associated with that to be made up for by efficiency savings in a two to three-year period.

Brian Adam: You have addressed the costs arising from staff changes. However, in one or two famous recent cases, the cost to the public purse was a large number of hundreds of thousands of pounds. Can you give us an assurance that the changes that you have in mind will not have cost implications on that scale? If you cannot, we might well assume that the figures that appeared in the newspapers at the weekend are accurate.

In relation to co-locations and relocations of staff away from the centre, what might be the implications for budget lines of the fact that Scottish Enterprise has a long-term lease on the prestigious property at Atlantic Quay?

09:45

John Swinney: The severance issues are, properly, the preserve of a consultation exercise between the management of Scottish Enterprise and the relevant trade unions. Obviously, it would be inappropriate of me to speculate at this stage on the cost of individual severance arrangements. I assure you, however, that proper consideration will be given to the circumstances of individuals and their rights of employment. That would be a prerequisite in any similar circumstance.

On property costs, we are encouraging a process of co-location of local services. For example, we envisage that, where there is an existing local enterprise office in a particular location, there will continue to be a Scottish Enterprise or Highlands and Islands Enterprise presence in that location. However, we intend to encourage the co-location of those enterprise personnel with local authority personnel in order to create a more cohesive service at the local level. That is a process of development that must take place over time, given the issues such as office

leases. The impetus will be behind that process, which is the direction that Scottish Enterprise and Highlands and Islands Enterprise are travelling in.

You are correct to say that there is a long-term lease on the building at Atlantic Quay—I think that it goes on until 2024. Obviously, there are wider questions that the Government can consider about the occupancy of that building, particularly in the context of the asset management review that the Government is undertaking at my request. The chief planner, Mr Mackinnon, is conducting that review as we speak, with the purpose of ensuring that the Government's asset base and its estate are effectively managed to ensure that we have the right personnel in the right places. Obviously, there will be opportunities for us to factor the Atlantic Quay building into that process.

The Convener: It was clear in your statement to Parliament that there would be movement away from Atlantic Quay and Cowan house and into the six regional offices. Is there a target for that?

John Swinney: You are right to say that there will be a move of staff away from Atlantic Quay and Cowan house and into the localities. That is the direction of the Government's reforms. I cannot give you a numeric target in that regard—obviously, there is a process for the severance programme, which we talked about earlier. Of course, as Mr Adam suggested, the process is likely to mean that Atlantic Quay will become a building that has too much space in it for the number of people who are required. The Government will respond to that as part of its asset management approach.

David Whitton (Strathkelvin and Bearsden) (Lab): In your opening statement, you said that you are looking for greater cohesion. In that regard, who is going to have control of the business gateway? Will it be COSLA or Scottish Enterprise?

John Swinney: The business gateway contract will be managed by local authorities, which is what I said in my statement to Parliament.

David Whitton: And are you quite sure that you have got an agreement between Scottish Enterprise and local authorities about the management of that?

John Swinney: That is part of the discussions that are going on at the moment between Scottish Enterprise, Highlands and Islands Enterprise and the local authorities about the detailed implementation of the Government's proposals. I am sure that you will tell me what lies behind your question, Mr Whitton, but that is what the Government wants to happen, so that is what will happen—if I can put it as delicately as that.

David Whitton: That is very fairly put. However, having asked questions in Parliament about the reorganisation of the business gateway and how it applies to my constituency, I can say that there does not seem to be much cohesion. There were five business gateway offices in my area, but now there is only one and it is not in my constituency. You are going to open a sort of virtual office somewhere in Kirkintilloch. That does not seem to me to provide greater cohesion.

John Swinney: The pattern of use of business gateway services is that, to put it bluntly, people are more readily using web-based services, rather than offices. The pattern has not emerged just in the past couple of months; for a considerable time, businesses have been accessing more of the business advisory services through the web, rather than by going into business gateway premises. The delineation of the offices is a product of that change in the pattern of use of the services. The arrangements are an appropriate response to the change in the pattern. We do not want to have offices in places where people are not using them. However, we must be absolutely assured that people can access the services that they require.

David Whitton: I do not want to interrupt you, but you say that you do not want to have offices where people are not using them, whereas people were using the Kirkintilloch office. It was the most heavily used of the five in the area, but it has closed down.

John Swinney: About three years ago, there were 54 business gateway outlets but, in May, when the Government came to office, there were 39. The new contract that has been arranged will reduce the number of outlets to 36. A pattern is emerging of the use of the offices. I will certainly explore the issues to do with the Kirkintilloch office. I am being advised by an official that it has not closed, but—

David Whitton: I suggest that you send an official to have a look, because there is a "To Let" sign outside the office and it is closed.

John Swinney: I will investigate that specific point. As you are aware, I am very familiar with Kirkintilloch—

David Whitton: I know.

John Swinney: I will certainly investigate the matter and write to you. However, my point is that our approach is about ensuring that services are available in such a fashion, structure and style that people want to access them. There is a transfer of activity from the use of local offices to the use of web-based services. We are all increasingly using web-based services to obtain advice on a multiplicity of issues, so it is not a surprise that the

public sector should respond to that. I will consider the point about Kirkintilloch and get back to you.

David Whitton: Thank you.

I have one final point. The business gateway offices exist not only to allow people to access information on how to set up a business but to help small businesses to develop and grow. How will that work if you have cut the number of offices?

John Swinney: A key element of the business gateway contract is providing advice to people who are starting up in business or developing their business. The next step beyond that is an obligation in the business gateway contract to identify for Scottish Enterprise companies that have significant growth potential so that we have a seamless route. To take one scenario, if an emerging start-up company does well and begins to grow, the key point about the business gateway process is that it should identify where the growth potential is and how the range of added-value services that Scottish Enterprise can deliver can apply to that company. In my experience, one good example of those services is the Scottish manufacturing advisory service that Scottish Enterprise provides, which is extremely focused on individual company development. The service would not be available to a single-person start-up company but, as such a company grew, the service could certainly make a contribution to its development. That is how we ensure that the right people get the right advice. That is a key characteristic in the delineation of services.

The Convener: I hope that, when you respond to Mr Whitton, you ensure that the committee sees the response. In fairness, David Whitton has raised the issue with every witness we have had in the past few months—it has been a consistent theme that he has raised directly with Scottish Enterprise and with witnesses. The business gateway in his patch is an important case study in our consideration of how the process will work, so it is important that we understand the issue.

John Swinney: I am sorry if I have got the proprieties wrong in any way. I will happily write to you, convener.

The Convener: No—write to Mr Whitton. My point is that we would all be interested in seeing the answer.

John Swinney: We will send a copy to the clerk.

Dave Thompson (Highlands and Islands) (SNP): Will you expand a wee bit on how the business gateways will develop in the Highlands and Islands?

You will know that social enterprises are a growing part of our economy. Will local authorities

be encouraged to support and promote social enterprises and to use them to provide some services that local authorities currently provide, such as grounds maintenance and grass cutting? Social enterprises provide a good way of getting people who might not otherwise be employed into employment. They have huge potential.

John Swinney: As you know, the business gateway service has not previously operated in the Highlands and Islands, but the Government wants it to be available there. HIE and the relevant local authorities are discussing the development of business gateway accessibility in the Highlands and Islands. Meetings will take place today and on 20 November to discuss that, and other discussions are progressing. I also discussed the subject informally with local authority conveners and representatives of HIE at the convention of the Highlands and Islands in Fort William last Monday. The roll-out of that service will take place and a good opportunity exists to expand the service to businesses in the Highlands and Islands on an accessible basis.

Social enterprises are rather dear to my heart and I agree very much with your view. Social enterprises have a formidable track record of making it practical and possible for people who are economically inactive to become economically active. When I was out and about in the summer, I had the privilege to see numerous case studies of that. In Twechar in Mr Whitton's constituency, I saw an extremely good example of a social enterprise that was making a formidable impact on hard-to-reach individuals in the economy. Social enterprises have an opportunity to develop in that fashion. Some weeks ago, I announced an expansion of financial support for business advice for the social enterprise sector, because I detected a gap in the availability of that service. That is now contributing significantly to the process.

Local authority involvement will be part of a general message that we must get across, which is not just about the enterprise network but about the public sector in general. Public sector organisations must let go of some of the services that they provide and rely on the social enterprise and voluntary sector to deliver them. Sometimes, public sector organisations are very protective and possessive of the services that they deliver and do not think that voluntary sector organisations or social enterprises are equipped to handle them. The Government and I do not take that view. I exhort local authorities to consider how the social enterprise sector can contribute meaningfully in the way that you described.

Dave Thompson: Can Scottish Development International's offices throughout the world become a real resource for Scotland? Can SDI link in with VisitScotland to promote Scotland in

the broadest sense—for trade, investment, leisure and tourism and as a conference destination? How could we make Scotland's international offices around the world more visible and expand the network cost effectively?

10:00

John Swinney: I had some experience of the issue in a previous life as the convener of one of the Parliament's committees.

The Convener: We are going to quote you here.

John Swinney: Heaven forbid! Perhaps the convener can advise me on when in ministerial life a politician stops getting quoted on what they said in opposition.

The Convener: It takes a long time.

John Swinney: I look forward to the long period ahead. The inquiry that I chaired on the promotion of Scotland overseas made a number of remarks about drawing together some of Scotland's overseas representation, and the Government is now very much engaged in pursuing that. Our overseas representation is made up of different components. We want to ensure that it is effective in promoting Scotland generally, and specifically, in the identification of business opportunities, particularly through Scottish Development International. The process of establishing cohesion in our international representation is being developed by the Government.

My colleague the Minister for Europe, External Affairs and Culture gave some evidence to the European and External Relations Committee last week on the arrangements for Scottish Development International in the United States, which are intended to ensure that we draw together effectively the work of Scottish Development International and the Government in one of the critical markets. Scottish Development International is a joint venture between the Government, Scottish Enterprise and Highlands and Islands Enterprise and we are keen to ensure that we deliver a coherent and cohesive approach to its work as part of the overall promotion of Scotland overseas.

The Convener: Martin Tognieri has been out of post since April. When will we hear about a replacement for Mr Tognieri?

John Swinney: I understand that Mr Tognieri has been out of post since August actually—

The Convener: I apologise.

John Swinney: The process of filling the vacancy will be considered by the Government and Scottish Enterprise in early course. Mr Tognieri's responsibilities have been undertaken

for the time being by Lena Wilson, the chief operating officer of Scottish Enterprise.

The Convener: But the post will be filled.

John Swinney: Yes.

Marilyn Livingstone (Kirkcaldy) (Lab): The cabinet secretary will have to hope that I—as a former colleague during his committee convenership—do not have too long a memory of some of his comments. I have some of them with me, but I will not use them.

John Swinney: I feared that you might say that.

Marilyn Livingstone: I thought you might.

I will concentrate on two areas: local economic development and—you will not be surprised to hear—skills. I would support you on a move away from a centralist agenda towards more local economic development by staff in my local enterprise office in Fife. It would be helpful for me and the committee to see how and when that takes place and I am sure that you would support that, as an ex-convener. That would let us see that what the Government says will happen does happen.

One of Fife's big strengths is its coterminous boundaries, as the cabinet secretary is aware. As a Fife member, I am very concerned that we are disengaging with business. You spoke about the chambers of commerce welcoming the proposed changes, but that does not apply in Fife where we are concerned about what is happening centrally versus locally.

As the changes pan out, I will be interested to see how the proposed regional business boards will work, as well as what locus local partnerships—you mentioned Fife in your statement—will have. When Fife and Tayside were together, for every £8 that were spent, only £1 was spent in Fife—that is why Fife MSPs are now very concerned about what will happen to Fife's strengths. How will that split between central and local take place, and how can we all see that it is taking shape?

John Swinney: I am acutely aware of, and take seriously, the representations, letters and parliamentary questions about Fife in particular. Detailed workstreams are under way in Scottish Enterprise to implement the Government's agenda, which I set out to the Parliament in September. Work will go forward for a significant period—into the start of next year—to implement the reforms. If the committee would appreciate having further detail on the steps that are planned, I would be happy to follow up my appearance before the committee with a letter. In essence, my statement to the Parliament has been taken forward as a series of workstreams to be delivered locally.

I acknowledge what Marilyn Livingstone said about the strong message that is coming from Fife. On the comparison between Fife and Tayside, I gently suggest that if she spoke to any of my constituents, she would probably find that they have an even worse perception of the proportion of money that goes to their area—I leave that as a bit of local indulgence.

On how I envisage that relationships will emerge, regional advisory boards will gather together perspectives from different areas, so there will be a combination of opinion from businesses and local authorities and there will be representation from the higher and further education sectors. We are working on the composition of boards and I can say with absolute certainty that the interests of Fife will be properly considered and reflected in the composition of the regional advisory board. From my experience of how different bodies of opinion in Fife marshalled their views on our proposals and put them to me, it is clear to me that views in Fife will be marshalled and put to the regional advisory board into the bargain.

I think that the process will work on two levels. In my statement to the Parliament, I mentioned the Fife energy park proposal. The park is a fantastic economic development opportunity for east Fife, which will engage people who are economically inactive, through the super outreach facility of Lauder College. The level of financial commitment for the proposal was such that the site has been developed with the consent and authority of the Scottish Enterprise board nationally. However, the origins of the idea—the thinking, the inspiration and the encouragement—came from people in Fife. People from Fife Council, local Scottish Enterprise personnel and people from different walks of business life got together to create the proposal, which was cleared by the board of Scottish Enterprise. There are big, strategic projects and we must ensure that different opportunities for economic development throughout Scotland are properly taken into account.

None of the reforms that I propose would have affected the ability of the Fife energy park proposal to emerge, because the scale of the project was such that it required authority from the Scottish Enterprise board. What I want in place locally is effective collaboration between the people who get their hands dirty in the process of economic development. For example, Scottish Enterprise personnel work very effectively in Fife and are well led by Joe Noble and his colleagues. They work closely with local authority partners and the business community to ensure that there is cohesion locally.

If Marilyn Livingstone's question was prompted by a concern that such a cohesive approach will not be taken, I can say only that members will be welcome to make representations to me if they think that the process is not being rolled out in the fashion that I described to the Parliament. I will always listen to such representations and take them seriously, as I take seriously the points that Marilyn Livingstone made.

Marilyn Livingstone: Thank you. I will take you up on that.

John Swinney: Please do.

Convener, I did not talk about the skills agenda—

Marilyn Livingstone: I am going to ask about skills. As you know, I have a significant interest in the issue.

Tourism, which we will consider in a committee inquiry, is raised time and again in our evidence taking. For that sector, the issue of skills is probably at the top of the list; that is certainly the case for employers in my constituency. The entire skills agenda, including skills development, workplace development and the role of the trade unions, is important for Scotland. I am passionately committed to it. My concern is that the skills agenda is divorced from your portfolio. How will you ensure that it continues to have the importance that it deserves? How will you link it to the economy? That is crucial.

John Swinney: Without in any way being flippant, I must say that even I could take the view that I cannot handle any more in my portfolio than I am handling at present. The subject has already been one of great debate.

The problem in the skills area, which Marilyn Livingstone probably recognises, is the lack of cohesion in the gathering together of the organisations with responsibility for skills activity in Scotland. The Government recognises that—indeed, my cabinet colleague Fiona Hyslop will appear before the committee later this morning to discuss the issue. The Government has drawn together the different components of the skills agenda into the successor skills body. A key part of the body's work will be to engage with the business community to properly identify the skill requirements of the economy in the period ahead. If it does not do that, it will fail in its purpose.

At the heart of what the Government is doing in the skills area is the drawing together of a disparate set of arrangements and putting them into one body. Fiona Hyslop and I share the ambition that the body should look properly at the development of each and every skill. In that way, we will be able to support people on their journey back into employment. That is especially the case

for people who are economically inactive. A number of different routes and interventions will be taken, but it is clear that, in drawing all that together on behalf of individuals, greater cohesion will result.

Christopher Harvie (Mid Scotland and Fife) (SNP): I have a more general point to raise, which results from our visit to Inverness last week. To some extent, we are speaking in generalities and we may have failed to notice the elephant at the doorstep. The point struck me during our visit to Inverness, in particular at Wavegen, where we saw the technology that can be used to harness the Atlantic; it was quite a revelation to see that it works by compressing air and not by hydraulics. Two projects are going ahead with the backing of Voith Siemens, which is an organisation that knows what it is doing. It looks as if the projects could become very big, very quickly.

I speak as an historian of North Sea oil, where the impact of the initial, successful borings was felt in about four years. I also speak as a staff member of the Open University, which produced a university from scratch in 18 months. We may have to cope with such developments by way of dramatic, interventionist and collaborative action between Scottish Enterprise—which is probably the necessary body—and, let us say, big German concerns or big Norwegian concerns such as Statoil. We should not leave such action out of our planning.

John Swinney: The point on where further economic opportunities lie is substantial and absolutely fascinating. Over the summer, Graeme Dickson and I had the privilege of visiting the European Marine Energy Centre in Orkney, where the First Minister inaugurated the tidal development plant on the island of Eday the other week. I have always been an enthusiast of renewable energy, including tidal and wave power. I was overwhelmed by what I saw at EMEC—it spoke of global leadership in a particular science.

I have no doubt that we have the research and development capability to develop that type of process, but the key issue is whether we can capture it and retain global leadership of the development of the technology. In that respect, I pay tribute to the previous Administration, because the developments in Orkney have come about in no small measure as a result of big decisions that the previous Administration took to support renewable energy. That is a great opportunity for us to develop a new stream of activity. It is a major economic opportunity for Scotland.

10:15

Professor Harvie mentioned his visit to Inverness. During my visit there in the summer, I

was struck by the example of Lifescan Scotland. When I probed into why the company is in Inverness, I stumbled across the reason, which is that HIE had managed to get its footwork in place quickly enough to make that happen. As a result of Lifescan being in Inverness, not only is there formidable employment in the life sciences sector—I cannot recall the exact number—but we have the development of a diabetes institute there. Inverness is beginning to look like a place with a life sciences perspective, which, 10 years ago, it did not really have.

We can apply that to the wave and tidal energy sector. We have developed the life sciences sector in Glasgow, Edinburgh, Dundee and Inverness so that Scotland has a great story to tell on that. We must now ensure that we have a great story to tell about the renewable energy developments in Aberdeen, Orkney and other parts of the north of Scotland and in our great cities. We want to develop energy science in Scotland as a formidable global asset, which would have economic implications and, I hope, would provide manufacturing opportunities that would keep the Fife energy park pretty busy.

Lewis Macdonald (Aberdeen Central) (Lab): I draw the cabinet secretary's attention to the recent exciting developments in life sciences in Aberdeen, of which I am sure he is aware. The First Minister attended a recent event in my constituency that marked the arrival of Wyeth Pharmaceuticals as an entrepreneur in Scotland, which is to be welcomed.

You mentioned the structural changes that you are keen to introduce to remove uncertainty. I have a question on the new business gateway contracts that have recently been let. The Enterprise North East Trust has the business gateway contract in Grampian and, I believe, Tayside. In circumstances in which companies have been dealing with two local enterprise companies, will they now be expected to deal with several local authorities or with a consortium of local authorities? When local authorities take over the management of the contracts, will they be able retrospectively to amend or break them and allocate them elsewhere? I am interested in the practicalities of how that will work.

John Swinney: I acknowledge the formidable work on life sciences in Aberdeen and I welcome the Wyeth development. The other week, I had a meeting with a Wyeth official to discuss the progress that is being made.

You are right that, in parts of Scotland, several local authorities will be involved in supervising the implementation of the business gateway contracts. It is not an uncommon arrangement for local authorities to come together to reach a joint position on the delivery of services—an example

of that is the experience of joint boards. I do not want to make the arrangements any more cumbersome than they have to be, but joint supervision arrangements are pretty commonplace in local authorities and can be implemented.

You asked about opening up the contracts. A contract is a contract, so whatever its terms say must be followed. If a contract specifies an opportunity to revisit its terms, that will be provided for; if it does not, the contract must be implemented as agreed. The business gateway contracts that have recently been let are three-year contracts with the possibility of extension for a further two years. Obviously, it is for the local authorities to determine how to deal with that matter. However, as part of the wider enterprise network reform agenda, a vast number of sensible and pragmatic arrangements can be made to ensure that individuals can access services cohesively and conveniently. I encourage those who are involved in monitoring the contracts to ensure that that is the case.

Lewis Macdonald: You talked about the pipeline of support for businesses. The gateway clearly deals with businesses as they are set up, whether they are the web-based businesses that you talked about, hairdressers, joiners or others. Because of how the contracts are currently managed, a key transition can be made in Scottish Enterprise from that initial phase to the point at which the potential for growth becomes clear. Do you foresee new arrangements to ensure that, when local authorities take responsibility for the business gateway contracts, they can still articulate with the enterprise networks in identifying and developing companies with the potential for growth?

John Swinney: That will continue to be a key component of the contracts. The obligation on those who operate the business gateway contract is to hand over business ventures that they think have growth potential to Scottish Enterprise and, in the future, to Highlands and Islands Enterprise. In no way do I want to disrupt that relationship. You make a fair point. There are numerous examples of organisations that have emerged through the business gateway and gone on to receive more significant and detailed support from Scottish Enterprise. In no way do I wish to disrupt those arrangements.

Lewis Macdonald: My other question is about the engagement of local businesses with local outlets of the enterprise networks. The model that you have chosen to set aside, which you made clear in advance that you would do, is of local enterprise boards that give people from local businesses a corporate responsibility for developing a local enterprise company and

delivering its objectives. Do you recognise the concern that removing that corporate responsibility from people who are active in local businesses might change their relationship with an enterprise network's wider objectives? The risk is that advisory board members will simply articulate the interests of their own companies or sectors and that collective responsibility for growth of the local economy will be lost.

John Swinney: If our concern is that people would join regional advisory boards to pursue their own company interests, that would also have been a concern about local enterprise companies, but I do not think that people behave in that way. I had a constructive discussion with local enterprise company chairs before I made my announcement. My experience is that those individuals share the Government's determination to make the economy more successful and want to do their bit to make that happen. I welcome that and in no way do I want to give the signal that I am not interested in continuing with that.

However, it is important that we simplify some of the structures to make that happen. In the area with which you are familiar—the north-east—various complex arrangements are in place between Scottish Enterprise Grampian, local authorities and local economic forums. The reforms will simplify that and make the system much more cohesive and focused. A key challenge—not in Aberdeen and Aberdeenshire, but in other parts of the country—is for local authorities to engage more with the business community on formulating their priorities and their direction. There are good examples of local authorities that are steeped in connections with the business community, whereas others are a bit distant from it.

The reforms will bring all that together. Local authorities take key decisions on planning, transport infrastructure and all sorts of other issues that have an impact on businesses. The Government is keen to bring local authorities into the fold of seeing part of their purpose to be to support the Government's determination to increase economic growth.

Lewis Macdonald: In essence, my point is about the distinction between the accountability and responsibility of a person serving on an advisory board, whose responsibility is clearly to give advice, and the responsibility of somebody serving as a director of the board of a local enterprise company, who has a corporate responsibility. I am concerned that some of that commitment to the wider local economy might be lost. Have you thought about how you might replace that or compensate for it? Connected to that, in the Scottish Enterprise area, corporate responsibility in that sense will now lie with a

single board at the centre. In that context, do you intend to review the composition of that board to ensure that it is as broadly based as it ought to be?

John Swinney: In my experience, the individuals who take part in the boards are motivated to do their bit for the local economy. I do not think that the people who will join regional advisory boards will have a different perspective. Indeed, as I said in my comments about the balance of the regional advisory boards, there will be a combination of businesspeople, local authority representatives and further and higher education representatives. Those people have the same outlook and ethos as the people who are on the boards of local enterprise companies; it is just that we are simplifying the structure to make it a great deal more coherent. That good will can be captured without much difficulty.

The members of the board of Scottish Enterprise have terms of office, and the Government will consider appointments to the board in the proper fashion through the public appointments process. Obviously, the Government will be keen to ensure that the boards of Scottish Enterprise and Highlands and Islands Enterprise are appropriately representative of the geography of, and the different interests in, Scotland.

In relation to the capturing of business input, there are good examples of our engagement with the business community at an industry sectoral level; I referred earlier to the Financial Services Advisory Board. We are engaging with business on renewables through the Forum for Renewable Energy Development in Scotland. There is also a life sciences group. Where we have key areas of focus for economic activity, that type of channel is a good one for Government to use.

The Convener: Thank you. I would like to finish with two questions, the first of which is very brief. Two current senior members of staff at Scottish Enterprise are suspended. Are ministers taking an interest in that? I would have thought that it must be of concern to Government.

John Swinney: Yes. You will appreciate that I cannot say much about the matter, but we are aware of the situation. It is an operational issue for Scottish Enterprise, but ministers are aware of it.

The Convener: Thank you. My second question is somewhat parochial. We have not really touched on VisitScotland today and I am conscious that you have to go. My concern about VisitScotland in the Highlands and Islands is that, although the model that will replace the area structure, which underwent reform several years ago at a cost of £7 million in reorganisational funds, may suit the rest of the country, in the Highlands and Islands it could mean that

everything ends up being directed from Inverness. I assure you that for people in Lerwick, Wick, Stornoway and Oban that is not necessarily a desirable outcome. Can you assure me that that will not happen?

John Swinney: It is important that our public services are effective and representative and serve every part of Scotland; therefore, the Government would not want to pursue reform that somehow led to the diminution of activity in the Shetland Isles. We want to ensure, through our engagement with the relevant organisations, that that does not happen.

I referred briefly to the strategic forum that we intend to convene, which will involve Scottish Enterprise, Highlands and Islands Enterprise and VisitScotland, and which will be chaired by ministers. The purpose of the forum is to provide the same assurance that I gave to Marilyn Livingstone. That is the forum in which the Government will ask organisations whether they are delivering services in the fashion in which we want them to be delivered.

Some of the concerns that have been expressed are also relevant to the community that I represent. Our tourism organisations are extremely good at marketing Scotland and encouraging people to visit it. However, one of the key challenges to Scottish tourism is to ensure that, once people have arrived in Scotland, they visit Shetland or, in my case, Perthshire and Angus. We must ensure that we have in place effective means of promotion and marketing activity that encourage people to come to those areas, so that we have a vibrant tourism sector in all parts of Scotland. If we think that the structures that are in place are not delivering that, the Minister for Enterprise, Energy and Tourism, Jim Mather, and I can exert influence through the strategic forum to ensure that we get out of the arrangement exactly what we want. The concerns of members of Parliament, as representatives of communities, are significant in my consideration of the issue.

The Convener: Thank you. You may get a letter from me at some point.

I thank the cabinet secretary and his officials for coming along; their evidence has been helpful. We look forward to seeing the cabinet secretary, wearing his finance hat, in a couple of weeks' time, when we will discuss how he will afford to put into practice all the measures that we have discussed. I suspend the meeting for a minute, while we reshuffle the deckchairs.

10:31

Meeting suspended.

10:32

On resuming—

Skills Strategy

The Convener: Item 3 is evidence taking on “Skills for Scotland: A Lifelong Skills Strategy”. We are pleased to have with us Fiona Hyslop, the Cabinet Secretary for Education and Lifelong Learning. Your predecessor this morning suggested that, because I could read his title, my glasses must be strong, which seems to be a topical issue in Parliament these days. After the cabinet secretary has made an opening statement, she will take questions from members.

The Cabinet Secretary for Education and Lifelong Learning (Fiona Hyslop): Thank you, convener. This is my first appearance before the committee, and I welcome the opportunity to address it today on the Government’s recent announcement on skills.

Since the skills for Scotland strategy was launched in mid-September, it has received significant widespread approval, particularly from industry representatives such as the CBI, the Scottish Chambers of Commerce and the FSB. The strategy focuses on three main elements: individual development; economic pull, addressing the skills and productivity agenda; and cohesive structures.

Since the launch, there have been a large number of stakeholder events involving ministers and officials. Napier University is holding an event on the skills strategy, and the CBI and the Scottish Chambers of Commerce are working together on it. Recently, the Scottish Further and Higher Education Funding Council and UK Skills held an oversubscribed event that was attended by more than 300 people. On 24 October, a joint venture between the Scottish Government and the skills for business network was attended by more than 200 people, 150 of whom were employers, not just representatives.

We have also engaged proactively with sector skills council chief executives to discuss raising employer investment in skills and the role of sector skills councils in encouraging that. We have taken a leading role in developing strategic and productive relationships between sector skills councils and others, such as the Association of Scotland’s Colleges. Recently, we brought together the skills for business network and the Association of Scotland’s Colleges to discuss how they can work together better on the strategy. A further series of meetings with those organisations is lined up, including one in December, on the relationship between the sector skills councils and the ASC.

You have heard from my colleague John Swinney this morning about the reform of the enterprise networks. One of the priorities in the delivery of the coherent structure, which is a key focus of the strategy, is to bring together the relevant functions in the new skills body.

I assure the committee that local delivery and responding to local skills needs will be enhanced, not compromised, by there being one body focused on skills. I am determined that the new body will drive improvements in the local development of skills. Increasing coherence will benefit the learner and the employer.

I recognise that there will be significant upheaval for the staff involved. I put on record again that there will be no compulsory redundancies as a result of the reorganisation.

One of the new skills body’s first priorities will be to bring everyone on board in a way that will maximise their contribution. We are working on the establishment of an interim board for the new skills body. I wish to announce to Parliament today, through this committee, some important developments. I have decided to use the Scottish Ufi Trust Ltd, which is the holding company for the Scottish university for industry, as the vehicle for the formation of the new skills body.

I have asked Billy Allan to continue as chairman of the Scottish university for industry and to take on the additional responsibilities that are involved in establishing the new body. Mr Allan has experience of skills from his time as a board member and then chair of SUFI and from mergers and acquisitions in his business ventures. He will, therefore, be the interim chair during the establishment of the new skills body.

We shall add to the current SUFI board to help us through the transition process. The board, which will be made up of existing SUFI board members and additional appointments, will be the interim board of the new skills body. I have written to the Commissioner for Public Appointments in Scotland about appointments to the interim board and she has approved the approach that I would like to take. That approach will make best use of individuals who have relevant experience and are already members of public body boards.

I am pleased also to announce that I have asked the following people to sit on the interim board: Barbara Duffner, who is a member of the Scottish Enterprise board and author of the careers service review; Janet Lowe, who is a member of the Scottish funding council and chair of its skills committee; and Willie Roe, who is chair of the Highlands and Islands Enterprise board. I have also extended the term of Bill Stevely, former principal of the Robert Gordon University and board member of learndirect Scotland.

I have appointed Donald Henderson, the former head of the teachers division in the schools directorate of the Scottish Government, to be the interim chief executive of the new skills body. I am determined that the new body will drive change in skills development. It is important that the Scottish Government takes responsibility for the change process. The Scottish Government will lead the programme to establish the new body and, with the assistance of Billy Allan and the interim board, it will drive forward change in skills development.

I hope that you appreciate my sharing that development with you. I look forward to taking questions on it and on other aspects of the skills strategy.

The Convener: Thank you for making that announcement to the committee. Committees of the Parliament appreciate it when ministers take the opportunity to make announcements to them.

It was most remiss of me not to welcome the officials who are here with you.

Lewis Macdonald: Thank you, cabinet secretary. It was interesting to hear about those developments. What do you think would be the Government's appropriate response to its losing the vote in a recent parliamentary debate on the skills strategy?

Fiona Hyslop: I appreciate that it is important that we take on board the will of Parliament. On the occasion to which you refer, no decision was taken by Parliament, because none of the Opposition amendments was agreed to either. In the light of that, we have to drive forward the skills agenda, which is what we are doing. We are pleased with the response that we have had, particularly from business organisations, the Scottish Trades Union Congress and colleges. We have to acknowledge the contributions that were made during the debate, but we also have to respect the will of Parliament, which, on that occasion, was not to express a view.

Lewis Macdonald: In advancing the developments that you have described, will you engage with the Parliament, other parties and this committee to discuss the fact that none of the offerings that were on the table during the debate won a majority of votes?

Fiona Hyslop: It is disappointing that there is not a consensus in Parliament on the skills agenda, but we might not be as far apart as people think in some areas. I suspect, for example, that there is strong support across the parties for enhancing school-college links. We may differ on the form of such links, but I think that it is genuinely recognised that what we are trying to do is the right way forward.

On structure, for example, the Labour Party manifesto said that it wanted a full employment agency, while the Conservatives put forward a model that was similar to ours. The Liberal Democrats also had a similar model, although it perhaps did not include the skills and training aspects from Scottish Enterprise. There is a degree of consensus, which needs to be built on and developed.

One important difference between our skills strategy and what is happening south of the border is that our agenda very much has a lifelong learning aspect to it. The responsibility for skills development in schools is therefore critical. There are also the issues of early years development and cognitive skills such as team working and problem solving. All the soft skills that people recognise are needed are part of our agenda, which I think is shared across the Parliament. I hope that we can engage with this committee and the Education, Lifelong Learning and Culture Committee in developing the perspective and driving it forward.

Lewis Macdonald: I am sure that in a number of areas there is a shared perspective, for example on some of the concerns that have been raised. In devising your proposals, have you given thought to how we can engage more young people with science and technology subjects, which the evidence suggests have been taken up by fewer and fewer pupils and students in the recent past?

Fiona Hyslop: There is variation between what is happening with some engineering and technology courses and chemistry and physics courses, in which there has been a slight increase in students, which is to be welcomed, but you are correct on the wider point. It is not a matter of waiting until people are taking standard grades or highers—the issue must be addressed much earlier. That is why, as part of the curriculum for excellence, the science outcomes have been the first to be released in recent months. The modern languages outcomes have just been released too, but you are right that we must encourage young people and enthuse them about science.

A key aspect is engaging with employers and ensuring that teachers have the opportunity to have up-to-date experiences. Some of the developments will involve engaging with colleges, universities and employers. I am keen to encourage employer engagement with schools in ways that benefit pupils and teachers in science areas.

Lewis Macdonald: Will the new skills body have a specific remit to engage with employers on such matters?

Fiona Hyslop: Absolutely. At the conference that we held in October, employers were keen to

recognise their role in providing opportunities for pupils to see the world of work. If we want to ensure that employers engage to upskill and invest in skills, it is not just a question of what employers do with people once they are employed. Employers have a duty and a responsibility to engage with schools and provide the opportunity for young people to see what the world of work is like.

That is a big issue for many young people. If we want to develop employability skills, we must have better engagement. We can all work together, and there must not be just a top-down approach. Much of the work is done on a school-by-school basis, and it is in different communities—that is where engagement with local authorities comes in. I know that the chambers of commerce are active in some areas of Scotland and that they are keen to develop school links.

Christopher Harvie: On the business of learning and co-operation with work, I was struck by the comparisons that could be made with the successful dual system in Germany. At the age of 15, school kids go off into relatively low-paid employment, but in the next three years they get paid back through enhanced training.

One interesting point is that the system is organised on a federal basis rather than a Land basis—unlike the case with the universities—so that liaison occurs at the centre with all German industries. If there is liaison with Mercedes-Benz, it occurs at its headquarters. One sees problems with that in Britain, because the headquarters of so many British concerns are no longer in Britain. How can one have that degree of sophisticated technological exchange with firms that are based well away from this country and whose needs, alas, tend to be for fairly low-skilled employment in branch factories?

10:45

Fiona Hyslop: You have raised various issues. We have been approached by interested German ministers and people at different levels in Germany who want to find out what we are doing. There have been interesting exchanges on the skills agenda.

Engagement with trans-boundary employers presents challenges, which is why our relationship with the United Kingdom commission for employment and skills, which is being established, is important. We have co-operated in work on establishing and providing the chair of that body. I have had two meetings with David Lammy, who is the Parliamentary Under-Secretary of State for Skills in the Westminster Government. We must ensure that there is a co-ordinated response. It is important not to lose the Scottish dimension on the

sector skills councils, particularly when UK sector skills are involved. That is one of our biggest engagement challenges.

On engaging with remote employers on technology, we must remember that we have to compete on a more skilled basis. We have an interesting skills profile in Scotland. Proportionately, we have a higher skills level than elsewhere in the UK, but we also have a lower productivity level. That is our biggest challenge. Our profile means that we will have a different perspective from that of the UK Leitch review, which was more about upskilling to level 2. Our agenda must be more to do with skills utilisation and engaging employers. Many employers want to be involved, but we must make things easy for them. They are in the business of developing and improving products and ensuring that they are competitive in the marketplace. The Government's job, and the key role for the proposed new skills body and local authorities, is to ensure that there is an easy interface, so that employers can contribute on that agenda.

Christopher Harvie: I played an ever-so-humble part in the Irish economic miracle, as my department in Germany, which taught British and Irish studies, hosted many Irish students in the 1990s. Those students went to Germany to work with Bosch and Mercedes-Benz. They trained, went back to Ireland and did amazing things. One reason why they had to go to Germany was that German was the language of much of the technology. They maintained their connections and got an overview of the regional economy through my operation, but they also learned a lot of technical German. In the field of wave technology, for example, it is fairly likely that the shop talk is no longer in English.

Fiona Hyslop: Perhaps we can advise the committee when the overdue visit by people from Germany to discuss the skills agenda will happen, as there may be an opportunity for more interaction involving committee members. I say that in the spirit of Lewis Macdonald's invitation to have more co-operation on the skills agenda.

The Convener: Marilyn Livingstone is the committee's expert on skills.

Marilyn Livingstone: I am pleased that the cabinet secretary is here, as the skills agenda is important to the committee. The committee has heard evidence inside and outside the Parliament on concerns about the division between the skills agenda and economic development. How will the cabinet secretary ensure that the skills agenda continues to be the economic driver that it has been, and that industry's training needs—whether at the degree, modern apprenticeship or workforce development level, which is important—are met? How will she ensure that, for example, the

contributions of the trade unions—which have been significant in increasing the role of workplace development, especially for low-skilled workers—will continue? How will she ensure that the skills agenda continues to be linked to economic development?

Fiona Hyslop: It is important to remember that the Government's overarching purpose is to achieve sustainable economic growth. We have five strategic objectives, and every cabinet secretary is responsible for delivering on all of them. I have as much responsibility for delivering on the wealthier and fairer objectives as John Swinney has, and, like me, he is responsible for the smarter objective, so there is a shared agenda.

I have stressed that the skills strategy has three main drivers: first, economic development for the individual, which relates to the individual's progression; secondly, the economic pool, which is the productivity skills agenda; and thirdly, the need for coherent structures. Ensuring that our skills agenda responds to economic need is essential, not just for individuals but for the economy as a whole.

How we engage is critical. First, at UK level, we will engage via the UK commission for employment and skills, which is meant to be the voice for employers. The process of recruiting commissioners—who are being recruited from different countries—is on-going. Secondly, the sector skills councils are critical, although we know that they have varying degrees of performance. That is a big challenge.

Bringing the colleges together with the sector skills councils is essential. There are examples of that working extremely well, from which lessons can be learned. Local responsiveness means that the local delivery of economic development—involving colleges, local authorities and other local employers—will be critical. The new skills body will be charged with considering such aspects.

On workforce development, the trade unions have a vital role, especially in the areas of literacy and numeracy. The fact is that people who lack literacy and numeracy skills are five times more likely to be unemployed. That is a real problem area for us.

On the member's first point, about whether the separation of lifelong learning from enterprise presents challenges, the two areas are integral to how the Government operates. Within our overarching purpose of achieving sustainable economic growth, the main function for which I am responsible is as vital as any other.

Among our biggest challenges is not only 16 to 19-year-olds who are not in education, employment or training, but people who are

perhaps older, are the second or third generation of unemployed and are removed from the workplace. Engaging with the skills and employability agenda is a big challenge. From talking to David Lammy, I know that he is trying to address exactly the same kinds of concerns. We agree with the Leitch review that bringing together employability and skills is vital.

One good aspect of establishing a single skills body is that it will be able to engage more effectively with Jobcentre Plus. I had a meeting with Caroline Flint, who is the UK Minister of State for Employment and Welfare Reform, on that issue. A key point is that, if we can bring together Jobcentre Plus and the skills agency to provide flexible local delivery of services, we can start to crack some of the employability agenda problems, such as how we engage older people in the world of work.

We know that people have concerns about Scottish Enterprise having responsibility for much of skills and training, because they believe that its main focus needs to be on business development rather than on the employability of those who are removed from the labour market. However, I believe that we will be able to address those two aspects properly and to best effect. That is the rationale for bringing them together.

Finally, we will support the trade union learning fund. However, I cannot make any announcements on that prior to the spending review.

I am sorry if that answer was rather extensive, but I had quite a lot of ground to cover.

Marilyn Livingstone: I do not disagree with the point that has been made, but I am still concerned about how everything will work. As things start to pan out, it will be useful for our committee to see how the arrangements work in practice.

You talked a lot about further and higher education institutions. In my constituency and throughout Scotland, they have made a significant contribution not just to the skills agenda but to Scotland's economic development success. How will you ensure that the further and higher education institutions continue to grow in quantitative and qualitative terms? I have read all your announcements, but how will you ensure that such growth continues? The colleges are very significant to the skills agenda.

Fiona Hyslop: If you talk to the college principals, they will confirm that I have taken an active interest in the sector's role. As you will know, our recent announcement of £100 million for universities and colleges will help to drive forward the capital investment that the colleges need to ensure that they have good-quality facilities. When I opened Clydebank College recently, I was struck

by the point that young women mechanics made to me, when they said that they had seen a significant change in the performance and attitude of other students because of the new facilities in which they now worked. Not only do students deserve new facilities, investment in such facilities can actually improve their performance and studying. That is essential.

Just the other week, I visited Lauder College—in which I know you have an interest—for the publication of the Government's response to the "Review of Scotland's Colleges". The involvement of the colleges will continue to be critical, and they are better placed than ever before.

Part of my responsibility is to provide a ministerial letter of guidance to the funding council, and one of the key aspects that I am discussing with it is the knowledge transfer agenda. That is not just about income generated from research; it is about the wider employer engagement that we talked about with Lewis Macdonald and how we can involve employers in research and knowledge transfer from colleges, which are more accessible to employers than universities are.

I visited Inverness College and found a real appetite there for engaging with local employers and the services that they can provide, which can lead to relationships that help to improve skills investment. The colleges are key to the knowledge transfer agenda, and I am actively involved with them on it.

Marilyn Livingstone: I have a short supplementary question. You will be aware, as am I, that the issue of the equalisation of funding between the further and higher education sectors is always being raised. What are your views on the equalisation of funding? As you will know, I chair the cross-party group in the Scottish Parliament on construction. You will also know that the construction industry faces personnel shortages in key areas, such as planning—all members here know about those shortages. Do you plan to consider the amount of funding for areas that are short of trained personnel? Do you plan to incentivise any areas?

Fiona Hyslop: You might find that the equalisation of funding is an issue between colleges as well as between the college and university sectors. It is important to have parity of esteem within the college sector. I am addressing issues around governance and possible changes in charitable status that might provide colleges with the greater independence that universities have.

Parity of esteem is essential. We must move away from an agenda that compares vocational skills and academic skills. They are both valid sets of skills to which everybody should have access,

albeit at different levels. We are moving towards that agenda, which is welcome. The involvement of colleges with universities is critical, for example in the education of school-based social workers through the two-plus-two courses that are available in different parts of the country. The articulation between colleges and universities is key to such engagement.

Because people who are already in work will do much of the skills development and we do not have a huge pool of young people, the ability of people to return to learning is critical. Obviously, local colleges can be far more accessible to women with young children, for example, compared with having to travel to a university in a city. That point is critical for rural Scotland in particular.

One reason for the recent development of the Crichton campus was to ensure that we had enough teachers for Dumfries and Galloway, because we knew that there was a shortage down there. The development of Crichton gave an opportunity to retain the University of Glasgow's presence there, but it did so in a creative way that ensured access to teaching courses down there. Initially, there are 80 places on the teacher training course.

You talked about the shortage of planners in the construction sector, but other areas have similar shortages.

Marilyn Livingstone: It was just an example.

Fiona Hyslop: Any funding will depend on the Government's economic strategy, which John Swinney announced will be available shortly. The synergy and direction of all public agencies, whether the funding council, the new skills body, VisitScotland, Scottish Enterprise or Highlands and Islands Enterprise, will have to sit within that overarching economic strategy. The ministerial letter of guidance will be critical in ensuring that we shape funding for our university and college sectors in a way that is synergistic with our overarching purpose. That is part of my responsibility and I will ensure that it happens.

Dave Thompson: You mentioned the £100 million that you have made available for universities and colleges, which was a really good announcement. I am sure you are aware that the number of 16 to 19-year-olds in the Highlands and Islands is 16 per cent less than the Scottish average for that age group. HIE has estimated that that amounts to about 12,000 young people in that age group who are not in the Highlands but elsewhere. Many of those youngsters have gone elsewhere for education.

Given that the Highlands and Islands is one of the few areas of Scotland that does not have a fully fledged university, how can we ensure that

the UHI Millennium Institute gets as much assistance as possible so that it gets full university status as soon as possible—I know that UHI is working hard towards that—to reverse the brain drain of young people and, indeed, to attract other youngsters into the Highlands and Islands? Young people are, by nature, the most productive, in every sense of the word, and we need to keep them in the Highlands and Islands to develop our economy. One of the reasons why our unemployment rate is so low in the Highlands and Islands is that all those youngsters have gone. If they had stayed in the Highlands and Islands, the unemployment rate would be considerably higher.

The second point that I would like the cabinet secretary to address is the fact that part-time students do not get the same funding as full timers. The fees of people who do a part-time course are not paid, whereas the fees of those who do a full-time course are paid. How can equality be achieved between full-time students and part-time students? Lots of the students in the UHI network are part timers.

11:00

Fiona Hyslop: In recent months, I have visited UHI, Inverness College and Lews Castle College, where there are great and exciting opportunities. I recognise your economic analysis in relation to ensuring that young people stay and do not just leave. We talk about sustainable economic growth but this is as much about having sustainable local economies throughout Scotland. I hope that my early actions have communicated my commitment to that. It is essential that we give any support that we can so that UHI gets university status. We must recognise that the process on which UHI is embarked requires independent quality assessment, although that will happen.

The research aspect of university status for UHI is interesting. UHI has been well supported by other universities, and by Lews Castle College in particular, in relation to some of the fantastic sustainable environmental work that they are doing. That shows that there is support from elsewhere. I have communicated to all university principals that collaboration—cross-institutional working—is essential for Scotland. However, the biggest challenges that they face are demography and geography. That refers back to Dave Thompson's comments about part-time students, to whom Marilyn Livingstone also alluded. We need to ensure that we have a funding system that provides some parity. The issue is covered in the skills strategy and is very much on my agenda, although I cannot say anything in advance of the spending review.

The type of learning that is going on in the Highlands and Islands has attractions that provide

a lesson for other parts of the country. UHI might be behind because it does not have university status, but institutions in other parts of the country are having to develop the type of learning that it offers—the co-operative, collaborative approach, involving use of the internet, that it has had to develop out of necessity. UHI might be behind now, but I suspect that in the not-too-distant future it may be ahead of the game.

Dave Thompson: There is still a great demand for building skills in the north of Scotland and, I am sure, in the rest of Scotland. At one point, there was a great demand by students for places in the UHI's building section. However, due to the way in which the funding system applies to colleges and universities, the college could not get funding for those students, although it was forced to take them on, which gave it a financial problem. It had to have the students in place for a year or two before it could convince the funding people that it needed funding for them. Have you considered that situation?

Fiona Hyslop: Responsiveness to student numbers is really an issue for the funding council. However, I recognise that, in areas in which there is population growth—such as Inverness, West Lothian and other parts of the Lothians—the consequences can take some time to filter through. Again, that is an issue for the funding council, but part of its response is that our biggest challenges are demography and geography.

Interestingly, Inverness College is trying to provide more flexibility in its courses. That goes back to the key drivers in skills development: individual development and progression. During the summer months, construction and tourism are big economic drivers in the Highlands and Islands. How do we provide more flexible courses—perhaps more extensive courses that last for longer—in the winter months, when the dark, dismal days mean that there may not be as much productive work in construction or tourism? Such adaptability and flexibility by colleges are important, and Inverness College is considering that approach.

The Convener: On Dave Thompson's first question, I know that members will find it hard to believe, but I was young once. For many Shetlanders—the same is true of people from Stornoway and other parts of the Highlands, as Dave and I have been discussing—being able to go away is important. I would never want a policy that prevented kids from seeing Glasgow, Edinburgh or Suffolk—wherever they want to go—as an essential part of the educational mix. I know that that is not what the cabinet secretary is saying, but it is important to bear that in mind.

Fiona Hyslop: There are also opportunities outside Scotland—we underperform in

international study and in participation in Erasmus. The message is: go, see the world, but perhaps come back.

David Whitton: Have you set any targets to increase the number of modern apprenticeships?

Fiona Hyslop: No. There has been some concern about the setting of targets for different training schemes. Microsoft kindly hosted a business breakfast that addressed the skills strategy, and the message that came from everybody around the table was, "Please don't get fixated on numbers and targets." We might hit targets but not necessarily have the right impact for individuals or the economy.

We want to sustain modern apprenticeships and to expand into level 2 where there is a gap in the market. We do not want to displace level 3 modern apprenticeships in areas in which they already exist. We want to ensure that we maintain the number of training places. We think that when we combine the different skills and training agendas, we will be looking at about 50,000 young people, particularly in training positions. I will not drive the strategy by setting targets. It has been recognised that that is a successful way to go.

I have a concern about modern apprenticeships. Colleges say that they have the majority of modern apprenticeships, but local authorities say that they have the majority. Then I hear that private providers have the majority. I think that everyone is double counting provision. Rather than have that agenda, it is important that we focus the apprenticeships on those who need them and ensure that employers have access to and engage with colleges on delivery. We are not fixating on targets; we want outputs and outcomes.

As I have said before, our biggest challenge in Scotland is productivity. Improving productivity—skills utilisation in the workplace—will be a key determinant in driving success for the economy.

David Whitton: You mentioned the important role of employers in providing training. Do you recognise the STUC figure that 60 per cent of employers do not invest in training and skills, and do you have any proposals to incentivise employers, particularly small employers? Let me give you one quick example. During the election campaign, I met a guy who runs a gas installation business. He always takes on an apprentice, but he made the point that he should actually be paid to do that because it costs him money.

Fiona Hyslop: The whole agenda of employer engagement in skills is critical, which is why I am pleased about the response from employer organisations. The biggest challenge in Scotland faces small to medium-sized enterprises, and small businesses in particular. The question goes

back to what the Government can do to make a difference, and engagement is particularly important.

We also need to consider how we can liaise with the UK agenda, and we are currently debating what we mean by incentivisation and what shape it will take. There are obviously some limits to what we can do because of the distinction between devolved and reserved powers in this area.

David Lammy, the UK Parliamentary Under-Secretary of State for Skills, originally wanted to consult on a facility to levy employers, if there was agreement in the sector to have such a levy, as part of legislation was announced in the Queen's speech. The UK Government decided to withdraw from that agenda but to engage in it perhaps in a year's time. It is not an immediate issue, but it is certainly something that we have to think about. I am reluctant to give employers any extra financial burdens but, as I have said, we should be open-minded. I gave the Scottish Government's approval for engagement in such a consultation, although we would not be bound by its results. We want to liaise on that.

Some incentivisation can be tailored to local delivery. I visited the workright project in Leith, in which small businesses engage with housing associations. They are given some financial support that they can give to youngsters, who get about £90 a week, some of which is paid for through the get ready for work funding. That can make a huge difference, particularly for young men, because of the role model aspect. Such apprenticeships are not just about work but about lifestyle, including responsibility, employability and the soft skills that people need.

People at the workright project raised with me a concern about how we can introduce workplace assessments rather than make people always go to college for assessment. We talk about making things easier for employers. Some of that assistance might be financial—although we are within the constraints of the UK settlement for some of the programmes—some might be practical, such as having workplace assessments, and some might involve bureaucracy, such as personnel issues and form filling, and making that work easier, which I know was one of the things that helped the workright project.

Incentivisation can mean different things. If you are asking whether employers can get VAT reductions for training, it is obvious that I cannot deliver that within the current settlement. However, we can try to produce other mechanisms that will make things easier for employers—particularly small employers—to engage with schools, take on apprentices, in whom I understand that you are particularly interested, and engage with those in the 16 to 19-year-old age group.

David Whitton: The committee will consider tourism and the skills that are required in the tourism industry in an inquiry. Dave Thompson mentioned Inverness College. I was stunned that only two people had signed up for that college's tourism course or its catering course—I cannot remember which. There were not enough people for the course to run, although we know that there must be demand for workers with such skills in the tourism industry in the Highlands.

In considering your strategy, have you thought about targeting that demand, encouraging people to think about working in industries such as the tourism industry and making the industry much more attractive to work in? Have you thought about setting up a centre of excellence for hospitality and catering courses, for example? It seems to me that every FE college runs hospitality and catering courses and media studies courses of differing quality. Scotland is a small country; it has only 5 million people. One centre of excellence for one set of skills should be considered.

Fiona Hyslop: I will be interested in how your tourism inquiry progresses.

You mentioned Inverness College. One of the interesting things that I heard about when I visited that college was the demand on the skills for work programme, particularly from young, enthusiastic people. Employers like such qualifications—I know that the construction industry, for example, likes them. The pilot is now being rolled out. The programme has been a success in attracting young people into industry and giving people experiences in schools that could—I hope—influence later decisions.

A centre of excellence might not necessarily be in Edinburgh—do we really want young people from the Highlands and Islands to have to come all the way down here to a centre of excellence? The mapping of local college courses, which happens in the Lothians, is important. Colleges map their curriculums, with different colleges focusing on different things. That could happen on a regional basis.

One challenge is that although there is great demand for people to work in areas such as tourism, should people have to study to be able to work in those areas? That is where employer engagement comes in. When a person goes to college, they give up their income. There are plenty of jobs in tourism, and one of the biggest challenges in that industry concerns the extent to which employers can release people. The committee might want to consider that matter in its inquiry. Perhaps Inverness College's approach could be considered one of the creative ways of producing what is wanted for people who are released outside the summer months.

There have been employer-led developments. I think that David Whitton has referred in the chamber to developments in the construction industry in Glasgow, for example, and I know about developments in the oil and gas industries in Aberdeen. Employer-led facilities are important. In that context, one of Scotland's strengths is the Scottish credit and qualifications framework, which is essential and differentiates what happens in Scotland from what happens down south. We can ensure that anybody who is involved in developing their skills is placed within the framework. Employer engagement with and understanding of the Scottish credit and qualifications framework are critical.

The Convener: What you have said is useful, cabinet secretary, and I am sure that we will want to return to issues that have been raised, particularly as we will be considering tourism, as David Whitton mentioned. Skills will clearly form a big part of that consideration. Thank you for coming to the meeting and making the announcements that you have made.

There will now be a two-minute break.

11:14

Meeting suspended.

11:18

On resuming—

Proposed Scottish Register of Tartans Bill

The Convener: Item 4 is the proposed Scottish register of tartans bill, on which we have a paper. I am pleased to welcome Jamie McGrigor MSP. I invite him to make a few opening remarks if he so wishes.

Jamie McGrigor (Highlands and Islands) (Con): I am pleased to be able to assist the committee this morning in its consideration of my statement of reasons on why a further consultation on my draft proposal is not required.

I lodged the draft proposal and my statement of reasons on 25 October. As members may be aware, my proposal for a register of tartans has been the subject of significant discussion over a number of years. I have been personally involved in the discussions since 2001, when a number of weavers and tartan enthusiasts first started to think in detail about creating a definitive Scottish register. Throughout the process, my aim has remained constant: to create a Scottish register of tartans that is independent, definitive, accessible and, above all, sustainable, and which will help to promote and preserve tartan.

In my view, although there are differences in the administrative arrangements that are now envisaged for the register, the principles of my proposed bill do not differ substantially from the bill that I introduced last year. In that respect, the responses to the consultation that took place in the previous parliamentary session represent the views of stakeholders on the bill that is now proposed.

My statement of reasons has been placed before members to help them reach a view, but let me summarise the main reasons why a further public consultation is not necessary. After I lodged the original proposal for a Scottish register of tartans bill in March 2005, a full public consultation was carried out. The consultation showed that there was good support for a register although, as is inevitable, there were diverging views on the detail. Links to the relevant documents on the Parliament's website are given in the statement of reasons.

My proposals were considered in some detail by the previous Enterprise and Culture Committee and they were debated in the chamber, where they attracted a good degree of cross-party support. When the previous committee consulted on the bill and made a call for written evidence, it received 28 submissions. The then Deputy Minister for Enterprise and Lifelong Learning, Allan

Wilson, then agreed to consider in more detail the options for creating a register. I withdrew the bill to allow that to happen.

Since then, I have worked closely with the Government on the rationale for a register and on identifying common ground between my proposed register and the Government's thinking on how a register might work. Consequently, not only are we clearer on the potential benefits of a register but we now envisage a more streamlined approach to creating the register than was the case previously. That will mean that the associated bureaucracy and expense to the public purse will be reduced. Key to that is the involvement of the Lord Lyon King of Arms and the Court of the Lord Lyon. On that basis, the Government supports my bill and the views and criticisms that were voiced in the previous consultation have effectively been taken on board.

Since then, the Government and I have also worked closely with the tartan industry and public sector stakeholders to develop and refine the proposals for a register. As a result, there is now solid support among Scotland's tartan industry for the bill proposals. The two main private sector registers—the Scottish Tartans World Register and the Scottish Tartans Authority—have agreed to share the data that they hold and to play a consultative role in the new Scottish register.

An economic impact study that was carried out for Scottish Enterprise underlines the economic reasons for working to support and promote the tartan industry in Scotland. A copy of that report is among the documentation that supports the statement of reasons. Crucially, the study involved a significant amount of additional consultation and it provides further evidence of a consultative approach to developing the proposals in my revised bill. It is worth mentioning that, whereas we initially estimated that the tartan industry was worth some £200 million, the economic impact study identified that it is worth £350 million and employs 4,000 people directly and 7,000 indirectly. Tartan is a significant industry in Scotland.

Going forward, the Government and I are committed to continuing to work with tartan industry experts on the detail of a register. Such strong stakeholder engagement is incredibly valuable and I certainly hope that it continues. Overall, the process of developing and refining the proposals in the bill that I introduced in the previous session has been, and continues to be, open and consultative. I hope, therefore, that the committee will agree that a further consultation exercise on the bill is not required.

The Convener: Do members have any questions for Mr McGrigor?

Brian Adam: I do not really have any questions. In light of the member's statement of reasons and the extensive explanation that he has offered—and given that significant consultation took place on the previous proposal and that the member has continued to consult on developing his revised proposal—I am content that we do not need to insist on a further consultation, which is what we need to determine today. I am content that the consultation has been adequate.

Lewis Macdonald: I am so minded, too.

In his opening statement and in the statement of reasons, the member has said that he envisages that the proposed more streamlined approach will reduce the cost to the public purse and reduce bureaucracy. Is he in a position to estimate what the cost will be? In addition, is he satisfied that the important change whereby he has secured the engagement of the existing private providers of registers is not such that it changes the nature of the bill?

Jamie McGrigor: I will defer to Mr McElhinney for the details of that.

Mike McElhinney (Scottish Government Enterprise, Energy and Tourism Directorate): Unlike the original bill, the proposals as they now stand envisage that the function of keeper of the register will lie within the Court of the Lord Lyon King of Arms. In effect, that will mean that we are using a public sector resource but it will enable us to leverage some significant marketing advantage because that office has been around since before the 15th century and is pretty unique to Scotland.

The involvement of the National Archives of Scotland in helping to maintain and run the register's database will draw on the National Archives' expertise in preserving public records and will make the register accessible to the public in a way that is not possible with the existing private sector registers. That additional resource will come from within the public sector. In our view, the register proposal is about using existing public resources better. We also envisage working with the holders of private sector registers, to draw on the significant pockets of expertise that exist there. We will use that valuable industry expertise on a consultancy basis, so that we do not lose it.

The Convener: As with any bill, the appropriate Government minister will need to produce a financial memorandum. I am sure that we will have a chance to come back to the issue that Lewis Macdonald has raised.

Members have indicated that they are minded to accept Brian Adam's suggestion. The committee will proceed on the basis that Mr McGrigor wishes and will not require a further consultation to be carried out. Good luck with the bill.

Jamie McGrigor: I am grateful to the committee. Thank you very much.

The Convener: Items 4 and 5 will be taken in private.

11:26

Meeting continued in private until 11:43.

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