

ENTERPRISE AND CULTURE COMMITTEE

Tuesday 16 May 2006

Session 2

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ENTERPRISE AND CULTURE COMMITTEE

14th Meeting 2006, Session 2

CONVENER

*Alex Neil (Central Scotland) (SNP)

DEPUTY CONVENER

*Christine May (Central Fife) (Lab)

COMMITTEE MEMBERS

*Shiona Baird (North East Scotland) (Green)

*Richard Baker (North East Scotland) (Lab)

*Susan Deacon (Edinburgh East and Musselburgh) (Lab)

*Murdo Fraser (Mid Scotland and Fife) (Con)

Karen Gillon (Clydesdale) (Lab)

Michael Matheson (Central Scotland) (SNP)

Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD)

COMMITTEE SUBSTITUTES

Mark Ballard (Lothians) (Green)

Donald Gorrie (Central Scotland) (LD)

Fiona Hyslop (Lothians) (SNP)

Margaret Jamieson (Kilmarnock and Loudoun) (Lab)

David McLetchie (Edinburgh Pentlands) (Con)

*attended

THE FOLLOWING ALSO ATTENDED:

Mr Frank McAveety (Glasgow Shettleston) (Lab)

THE FOLLOWING GAVE EVIDENCE:

Patricia Ferguson (Minister for Tourism, Culture and Sport)

Jack Perry (Scottish Enterprise)

Sir John Ward (Scottish Enterprise)

Charlie Woods (Scottish Enterprise)

CLERK TO THE COMMITTEE

Stephen Imrie

SENIOR ASSISTANT CLERK

Douglas Thornton

ASSISTANT CLERK

Seán Wixted

LOCATION

Committee Room 4

Scottish Parliament

Enterprise and Culture Committee

Tuesday 16 May 2006

[THE CONVENER opened the meeting in private at 14:32]

14:57

Meeting suspended until 15:00 and continued in public thereafter.

Tourist Boards (Scotland) Bill: Stage 1

The Convener (Alex Neil): I welcome everybody to the 14th meeting in 2006 of the Enterprise and Culture Committee. We have apologies from Michael Matheson and from Jamie Stone, who will be late.

We are taking evidence on the Tourist Boards (Scotland) Bill from the minister, Patricia Ferguson. I welcome her and will allow her to introduce her team and say a few words about the bill.

The Minister for Tourism, Culture and Sport (Patricia Ferguson): I am joined today by Kirsten Davidson and Gaynor Davenport, both of whom have been working on this project for some time. I thank the committee for inviting me to give evidence on the bill.

As members know, VisitScotland has been in operation for a year as an integrated tourism network. Now is probably a good time to put the organisational structure on a proper legal footing. The integration project was a huge undertaking, bringing together 15 organisations into one, while at the same time maintaining vital local links. In my view and that of others around the network, it was a major task. However, the project has been completed successfully and VisitScotland has gone from strength to strength in the past year or so.

Success has been achieved earlier than we expected. VisitScotland expected to be working with a balanced budget by the financial year 2007-08 but the business plan for this year, 2006-07, is based on a balanced budget a year earlier than planned. VisitScotland is confident that that is realistic. Efficiency savings of £1 million will also be realised this year and reflected back to front-line services.

However, this is not only about doing the same job as the old Scottish Tourist Board and area tourist boards did more efficiently; it is about doing even more. A year in, VisitScotland has demonstrated that it can do just that. Its marketing campaigns are world class and local areas are benefiting more than ever from national marketing campaigns. For example, VisitShetland and VisitOrkney teamed up to take advantage of this year's national spring marketing campaign to promote the northern isles as an ideal place to visit. A national mailer, designed to inspire potential visitors to visit the islands, was sent out to some 180,000 names from the VisitScotland database and the feedback has been excellent. Similarly, Perthshire has recently benefited from a direct mailing campaign to all parts of the United Kingdom, selling the area to prospective visitors, which it would not previously have had the opportunity to do.

The 14 VisitScotland network offices provide support for tourism businesses at all levels, while giving them the benefit of access to national services and a national strategy. Seventeen area tourism partnerships have been set up throughout Scotland, involving tourism businesses, VisitScotland, all 32 local authorities and other public sector interests. The excellent relationship between VisitScotland and local authorities is being strengthened by the creation of the VisitScotland chair's committee, with membership drawn from the local authority community. VisitScotland benefits by having Willie Dunn, the Convention of Scottish Local Authorities spokesperson for economic development and planning, on the board. The annual national tourism convention also brings VisitScotland and COSLA together to discuss joint strategy.

The purpose of the bill is to formalise the arrangements that underpin the integrated tourism network so that we can maintain that success. To summarise, the bill repeals the statutory requirement that there be area tourist boards and dissolves the two network area tourist boards that were set up last April under secondary legislation, when the 14 former area tourist boards merged with VisitScotland. That means that VisitScotland can become fully integrated and can operate as a single legal entity. The bill also makes provision for the transfer of staff from the network tourist boards to VisitScotland. The bill makes provision to increase the size of the VisitScotland board from seven to 12 members to reflect VisitScotland's broader role. We plan to increase it only to nine members in the short term, but that provision will give us the flexibility to increase the board at a later stage, if that seems appropriate, without the need to revert to primary legislation.

Finally, the bill changes the organisation's legal name from the Scottish Tourist Board to

VisitScotland. We think that the Scottish Tourist Board name belongs in the past. The VisitScotland name emphasises the way forward for tourism in Scotland and the brand is already established as an easily recognisable and trusted brand by visitors and businesses alike. The bill is not about changing the way in which the integrated tourism network works—it is already working well, and I am confident that it will continue to bring benefits to Scottish tourism—but it is about consolidating the integration process and putting the integrated network on a proper legal footing.

The Convener: The committee is familiar with the issues, having dealt with them at the time of reorganisation. As the minister has said, the bill puts into law what has already been done in practice.

Christine May (Central Fife) (Lab): I suppose that I should start by saying that I find little to take issue with in the bill. In fact, I cannot think of anything that I take issue with, so I would really like to test the minister and her officials on the extent to which they believe that the bill will make it easier to grow tourism business by 50 per cent, which is the target; to take account of local sensibilities, which was a big issue at the time of the changeover; and to improve quality, because I read a survey in one of the papers, either today or yesterday, that commented on the continuing relatively poor quality of bed-and-breakfast accommodation.

Patricia Ferguson: Those are three big questions. The whole reason for the change in the structure and underpinning of how we market Scotland and Scotland's tourism product came from the problems of the past. A great deal of work was done, not least by the Enterprise and Culture Committee's predecessor committee, on identifying the ways in which that change could be taken forward. The bill is part of that process, and the early signs are pretty good.

However, it is important that what we put in place is quite flexible, so that it can respond to any specific crises or issues that may arise in future. I am conscious, as is everyone involved in tourism, that it is not always issues within one's control that throw tourism off course. In the past, we have had difficulties because of 9/11 and because of foot-and-mouth disease—issues that were entirely outwith our control but which had an impact. It is important that we allow flexibility so that such things can be reflected in changes in marketing or to how things are done.

Particularly latterly, VisitScotland has been sensitive to local sensibilities and we have certainly encouraged it to take account of such sensibilities. The fact that about 97 per cent of VisitScotland staff are based not in the headquarters but out in the individual tourist areas

makes a big difference, because they are able to begin to build relationships with local businesses, local authorities, visitor attractions and anyone who has an interest in tourism. Working locally is probably the best way of ensuring that local sensibilities, concerns and issues are reflected.

Like VisitScotland and everyone else involved in tourism to whom I have spoken, I believe that there is a constant need to drive up quality. I know that quality is an issue close to the heart of the Scottish Tourism Forum and we can take reassurance from the fact that so many tourism industry providers are members of the quality assurance scheme. The most recent figures suggest that about 80 per cent of accommodation providers are part of the QA scheme, which compares favourably with the position in the rest of the UK. The equivalent figure for south of the border is something like 48 per cent.

It is important always to seek ways to improve quality. Part of the solution is to ensure that the training that is in place for tourism providers and operators is of the highest quality. We need to encourage people to enter tourism and to see it as an attractive career move. I could probably talk all day about the host of things that could be done. Along with VisitScotland, the changes to the tourism world in Scotland are very much focused on moving things forward and making them better in future.

Christine May: On matters beyond our control, I found it slightly amusing that the dead swan in Cellardyke resulted in an increase in the number of visitors and inquiries. I found that very gratifying.

Patricia Ferguson: That could not have been predicted.

Murdo Fraser (Mid Scotland and Fife) (Con): Good afternoon. In her opening remarks, the minister referred to the project—in other words, the integration of the local tourist boards into VisitScotland—being completed successfully. I am sure that, from VisitScotland's perspective, that was the case, but how have private sector tourism organisations reacted to the reorganisation? As I recall, when the committee considered the issue in advance of reorganisation, several concerns were expressed about how the new arrangements would work. Has the Executive carried out any research on what the industry feels about how the reorganisation has gone?

Patricia Ferguson: We have not done any research on that, but it is fair to say that the issue was one of my concerns when I inherited this job. I know that VisitScotland was keen to address that concern and, indeed, has been addressing it ever since. I am encouraged by the fact that the chair of VisitScotland regularly goes out around the

country to talk to people who are involved in tourism, to get their perspective and to respond to questions that they might have. The chief executive does likewise—I understand that he will be in the Highlands and Islands next month to do that very thing. That is an important development.

Similarly, the local partnership agreements that are currently being drawn up are welcome. It is entirely possible for those agreements to influence what happens in a particular area. Obviously, that is what we want to happen.

It is fair to say that the anecdotal evidence that I receive when I talk to tourism businesses around the country is that people have an increasing confidence in VisitScotland's work. Much good work has gone into trying to bolster relationships to make them work. As I mentioned to Christine May, the fact that most VisitScotland staff are based in individual localities is a good thing. We hope to see that develop in future so that, as relationships blossom, we can take tourism forward. All the feedback that we receive suggests that things have got a great deal better. That is not to be complacent about things—there is always more that could be done—but the steps that VisitScotland is taking will help to address any outstanding problems that might exist.

Murdo Fraser: I have not carried out any scientific survey, but the anecdotal feedback that I have received from people in the industry has been much more negative than the minister suggests. That might be due to a geographic issue, as the former Perthshire Tourist Board was well thought of by people in the industry. Among the people to whom I have spoken, the generality have felt that the steps that are being taken do not go in the right direction. However, I appreciate that the response might have been different elsewhere in the country.

The new set-up has been in place for a year and is starting to bed in. How is VisitScotland going to monitor the industry's response to the new arrangements?

Patricia Ferguson: Obviously, we do not want to talk about specifics, but in my opening remarks I talked about the work that is being done in Perthshire that could not have been done under the old regime. There are great opportunities but, sometimes, change is difficult for people, and moving to a new system is never all that easy. People have to get used to doing things a bit differently and, in some cases, working with different people. However, it is early days and the situation is likely to improve.

I would encourage local providers, individuals or groups of providers who have difficulties to contact VisitScotland and to speak to the chief executive. He will very much want to know about any

problems that may arise to enable him to address them at the strategic level. He will want to talk them through with people and explain any difficulties that there may be.

VisitScotland talks regularly to all its partners and stakeholders around the country, and that will continue. I am not aware that it is—at the moment, at least—undertaking any systematic research into what people think about VisitScotland or what tourism service providers are doing, but that is something that we can encourage VisitScotland to do in the future. That will be especially important given the feedback that you suggest is coming from a particular area.

The Convener: This is fairly straightforward, and we have been round the houses a few times. We are hoping to discuss the first draft of our stage 1 report on 30 May and approve it the following week, at the latest. That will be in plenty of time for stage 2, which is scheduled for 29 June.

I thank the minister and her officials. That was extremely helpful.

15:16

Meeting suspended.

15:30

On resuming—

Scottish Enterprise

The Convener: The next agenda item is consideration of Scottish Enterprise's budget and restructuring plans. I once again welcome John Ward, chairman of Scottish Enterprise; Jack Perry, chief executive of Scottish Enterprise; and Charlie Woods, director of strategy at Scottish Enterprise.

The committee will receive a presentation, after which it will have the opportunity to ask questions.

Sir John Ward (Scottish Enterprise): Convener, I thought that we might make some quick introductory remarks to position the presentation. However, I must admit that I am a little disconcerted by the fact that all I can see behind you is the phrase "all adventures" on the windows of Our Dynamic Earth.

I thank the committee for delaying this item—as you know, I was chairing a meeting this morning—and for accommodating Jack Perry, who is meant to be in Europe and has to catch a flight to Frankfurt this evening. Obviously, he would like to get away as soon as he can. However, if necessary, Charlie Woods and I will stay on.

We are very grateful to the Deputy First Minister and his Cabinet colleagues, who have offered us an offset for the £25 million non-cash adjustment and allowed us to access Scottish Enterprise's reserves. As the committee knows, last year we incorrectly assumed that we could access that money; we will now be able to do so in the current year. This year, we have a roll-up of a couple of elements, each costing £25 million—last year's forfeit and this year's deficit—and there is the prospect, which has not yet been committed to, of the same adjustment next year. As members will see when Charlie Woods takes them through the numbers, the offsetting of the non-cash imbalances means that, over the three-year period, the actual cash amounts—which is what we end up investing—are broadly similar.

At our previous appearance before the committee, we drew attention to the growing pressure from fixed programmes such as intermediary technology institutes and the co-investment fund, which get bigger all the time. To deal with that problem, Jack Perry and his team have focused on making efficiencies; using greater amounts of private finance, which has proved somewhat successful in recent years; and working with the Executive to find out how we can use our reserves to an even greater extent and in the more flexible way that we and the committee have discussed.

The plan that the committee is about to see, which the board arrived at last Friday, is based on

a number of criteria. First, the board decided that it should press on with the chief executive's change agenda, which is now in its third year and is very much concerned with focusing on and improving the efficiency of our programmes. Jack Perry can give the committee some figures on efficiency variations across the country.

Secondly, we had to continue the strategy that we discussed with the committee in a private session. As a result, we are working on an east and west metropolitan plan for board review this June and we are working with local enterprise company chairmen on a supervisory board structure, which will be developed towards the end of the year.

The board felt that Scottish Enterprise had to maintain its support for existing programmes for key industries, while looking for any new opportunities that might arise. We received some written guidance on that matter from the Deputy First Minister, and we wanted to ensure that the outputs identified in his letter were sustained. The committee will see some of the figures in the presentation. Moreover, behind all that, we needed to ensure that we covered all our legal commitments. Charlie Woods will take the committee through the allocations to LECs and business units, which are now putting together their management and prioritisation plans, as they do every year.

As well as undertaking its usual tracking process, the board will focus on several matters, the first of which is the strength of the pipeline. As the committee knows, the pipeline did not erode in the second half of last year, as it had done previously. It is much more secure than it has been in previous years, but we need to find out whether any erosion occurs in the second half of this year.

Secondly, because resource accounting is fully built in to every Scottish Enterprise budget, we want to examine management's prioritisation criteria for its decision making, particularly if, as we hope, the pipeline is strong and continues to strengthen.

Finally, we have combined the internal and KPMG audits into one combined action plan, which will be tracked as one plan. We have approved that, which we confirmed to the Deputy First Minister following our meeting last Friday.

That was just a little positioning. I now pass over to Jack Perry and Charlie Woods, who will give the presentation.

Jack Perry (Scottish Enterprise): We accept and believe that our mission is to help tackle some of the profound challenges that the Scottish economy faces in achieving higher and more sustainable levels of growth. However, we should

acknowledge some of the positive trends that are emerging. We are pleased with the higher levels of total entrepreneurial activity and the improvement in Scotland's performance in the International Institute for Management Development's world competitiveness rankings for the second successive year. In addition, recent surveys by the Royal Bank of Scotland, Scottish Engineering and the Confederation of British Industry indicate improved performance by and prospects for our manufacturers.

Our initial indications are that Scottish Enterprise will achieve all the priority measures that are set out in our operating plan for the year 2005-06. We are particularly pleased with the levels of private sector leverage that we are achieving for our investment activities and for innovative programmes such as R and D plus. Our proof of concept fund was this month the subject of an independent evaluation, which concluded that, from the first six funding rounds of the programme, the estimated gross value added to the Scottish economy stands at £125 million, in return for our investment in the programme of £28 million.

Scottish Development International recorded one of its best years in recent memory, with significant major successes in attracting companies such as Dell, Amazon, O2 and Stirling Medical Innovations, all of which provide substantial numbers of real jobs for real people, many of them in our priority employment areas. The launch of the translational medicine research collaboration with Wyeth at the end of the year marked a turning point for Scotland. We have a globally recognised centre for drug discovery and development that is proving to be of significant interest to pharmaceutical companies throughout the world, which are discovering the competitive advantage that Scotland can provide.

We are grateful that the offer of additional funding that we received from the Deputy First Minister on Thursday will enable us to meet all our known legal commitments. However, in light of the success of the programmes that I have mentioned and others, there is undoubtedly more demand for innovative support from Scottish Enterprise than there is available funding. As we said when we last met the committee, our job is to prioritise the demand on the basis of achieving the best return on investment for Scotland. In our response to the Deputy First Minister's offer, we state that our initial allocation, which Charlie Woods will talk through shortly, will enable us to meet the priorities that the Scottish Enterprise board has set and to comply with the guidelines that the Deputy First Minister gave in his letter.

The allocation will also help us to address some of the economic development priorities that the committee identified in its business growth inquiry.

Specifically, we will support the priorities in the Executive's regeneration statement, which covers areas such as the Clyde gateway, Inverclyde riverside, Irvine bay and Kilmarnock town centre. We are also committed to maintaining the level of successful outcomes for our national skills programmes, which include our support for the not in education, employment or training—NEET—group through the training for work, skillseekers and get ready for work programmes. In addition, we will ensure that the output targets for the business gateway are maintained. As members will see, we also anticipate further significant savings and efficiencies, not only in our support costs but in the delivery of our programmes.

We regret the uncertainty that has arisen in the past few weeks about our budget and the potential impact of that uncertainty on our customers, suppliers and staff. We therefore welcome the clarity that we can now provide. Of course, we will be unable to deliver some activities this year, and hard choices will have to be made. As I have said before, we know that not all those choices will be universally popular. However, in that respect we are no different from any other public sector organisation that must manage conflicting demands with finite resources.

Charlie Woods will now talk members through what the budget settlement means for our work programme for the coming year in greater detail.

Charlie Woods (Scottish Enterprise): The points that I will cover this afternoon are set out on the first slide. I will give you a quick recap of the underlying strategy and the economic analysis that guide our plan, talk about the planned investment according to the main themes of "A Smart, Successful Scotland", take you through a breakdown of some of the major projects and programmes that we will be running as part of the plan, and finish up by considering the outputs that, at this stage, we estimate we will achieve through carrying out the plan. There is a health warning at the bottom of the slide that, although we are in discussion with the Scottish Executive about the plan, we still have finally to agree it with the Executive. However, we felt that it was something to discuss with the committee.

To set the scene, "A Smart, Successful Scotland" is the starting point for our planning process. As the minister emphasised in his letter last week, it is the ministerial guidance to Scottish Enterprise as a network and it has three main themes—growing business, global connections, and skills and learning—plus three cross-cutting themes. That is where we start from.

Some highlights of what we are trying to do with the plan are at the bottom of slide 2. We are trying to drive investment through greater industry demand; make the most of our strong local

network in delivering and developing the programme and, at the same time, provide more coherence through metropolitan planning and delivery; and build on our strong partnerships to ensure that the money for which we are responsible goes further and has a bigger impact.

I mentioned the three cross-cutting themes, which we are trying to mainstream as far as possible. For example, on green jobs, we are looking for ways in which, when we do our normal business development work, we can maximise the efficiency with which firms use natural resources and increase their resource efficiency, as well as looking to sustainable development as a source of new markets and the opportunities that sustainable development throws up in, for example, renewables.

The last of the highlights is that we are trying to achieve as much efficiency as possible to ensure that the money goes as far as it can. That underlies all that we do.

I will touch briefly on the underlying economic analysis that is shown on slide 3 because, to a large extent, it drives the planning process and it is a key input into its beginning. As you know, our aspiration is to help Scotland to get into the top quartile of the countries in the Organisation for Economic Co-operation and Development. The coloured cells in the table on the slide show where we are against the main measures of "A Smart, Successful Scotland". In some measures, such as the employment rate, we are already in the top quartile; in others, there is further to go. The position is monitored by the joint performance team each year, and the table is taken from its most recent report, which was published in November 2005.

In addition, as Jack Perry said, there have been some encouraging signs recently in various surveys, such as the Confederation of British Industry survey, the purchasing managers index and the registrar general for Scotland's recent population estimates, which indicate encouraging movement in certain areas of the economy. However, we cannot be complacent, as there are still some significant challenges in areas such as research and development, new business starts and productivity. The quotation that you can see to the edge of slide 3 is taken from the report that was published in November, which highlights the importance of a sustained breakthrough in business investment.

The next table, which is on slide 4, shows the overall position as far as our plan stands. The column that is headed "06/07" gives you a breakdown by the themes of "A Smart, Successful Scotland", plus the network development and network support functions. Network development is very much about what we need to invest in our

research, information and communications technology and staff to generate efficiencies in the future. You can see the breakdown of spend across the three themes of "A Smart, Successful Scotland" in cash terms. The first column shows what we planned to spend at the beginning of the year and, in the third column, you can see the percentage change relative to what we actually spent last year, which is in the second column in the table.

The emphasis in those figures on growing business reflects the strength and importance of trying to grow business demand, as the previous economic analysis indicated, while still maintaining a significant programme of activity in learning and skills and in global connections. There will be some year-on-year changes in those numbers, which will be driven in part by certain things taking place in one year and not happening in another year, for example. We will not be responsible for the new futures fund this year, and the accessing telecoms links across Scotland—ATLAS—programme is running down. Both those things will have an impact on the percentage change figures.

15:45

The table at the bottom of the slide shows the total resource picture. In the light of what happened last year, it is important that we take full account of that. The £550 million that you can see in the column headed "2006-07" is the figure that appeared in the minister's letter. Underneath that, I highlight what the minister has done to enable us to address that picture, as the chairman said, through access to reserves, increased receipts and increased non-cash cover for next year.

In the middle of the table we highlight the particular focuses that we will have in each of the themes. Within growing business, they are increased business demand and a focus on the priority industries. In learning and skills, they are efficiency, the NEET group, the priority industries and increased efficiencies—getting more outcomes for inputs. In global connections, we will support the priority industries, respond to the metro plans, contribute to the regeneration statement and generate increased leverage. Across the network, there will be development to support increasing efficiency to make the most of our resources.

I know from our discussions in November that the committee is keen to get to a more detailed level of activity. Slide 6 shows our estimate of what we will spend on the main projects and programmes within each of the main themes, within the budget that we are talking about. You can see the significance of the ITIs, at £46 million; the major priority industry initiatives, at £25 million; the business gateway and start-up activity, at £23

million; and the significance of things such as the co-investment fund and proof of concept. Also in growing business there will be new activities, such as the co-operative development agency and the Scottish manufacturing advisory service.

On skills, slide 5 demonstrates the programmes that we are supporting, including modern apprenticeships, the skillseekers and get ready for work programmes, and the training for work programme. That gives you an idea of the scale and scope of the expenditure on those activities. The Careers Scotland figure is the figure for the staff and projects element of Careers Scotland. Further Careers Scotland costs are included in the overall service support costs of the network.

In global connections, we highlight the amount that is being spent on the major physical investment programmes, overseas activity, and local projects and programmes, including the contribution to the regeneration initiative. Other important initiatives include stimulating more direct air links from Scotland and improving digital connectivity.

The final slide gives you an idea of the outputs that you would expect to see from that expenditure across the three main themes of “A Smart, Successful Scotland”. I will not go through all the detail, but you can see the impact on business starts; account and client-managed companies; the major industry projects; new ITI research projects; new proof of concept fund projects; and new R and D plus activities. I hope that that gives you a good feel for the numbers that are involved and the likely outputs.

Similarly, in skills and learning, more than 40,000 people are on training programmes; the intention is to increase the achievement rates on the skillseekers and get ready for work programmes by 10 per cent; and there is the new employer skills survey that Futureskills Scotland will be doing.

In global connections, the measures that we give are on attracting high-value inward investment jobs; helping more than 300 companies from Scotland to internationalise; and delivering the investment plan projects that are, by their nature, country-wide. I have tried to indicate those projects on the chart, including Prestwick Aero, Tweedmill in the Borders and Clydebank Re-built. There are also the regeneration statement projects around Irvine Bay, Inverclyde and Kilmarnock.

Finally, on the air route development fund, up to eight new routes are to be attracted.

That was a bit of a Cook’s tour, but I hope that I have given members a comprehensive picture of how we intend to spend the resources that we have been given and what our current estimates

are, although that will be subject to further work as we distribute resources to individual business units and clarify what we expect them to achieve with them.

The Convener: Thank you. We want to finish the session by about 4.30, but I will make sure that every member gets a fair crack of the whip.

I ask for three points of clarification. First, John, you said that you have an additional requirement of £25 million for 2007-08, but that has not yet been confirmed by the Executive. Is that correct?

Sir John Ward: If you remember, that is the gap in our non-cash spending. I cannot remember the exact wording—I look to Douglas Baird here—but an indication was given that it would be the Deputy First Minister’s intention to close that gap. That being the case, our cash spend, which is the amount that we have to invest, will be broadly flat over the years.

The Convener: Secondly, the figures for global connections, growing business and learning and skills on your slide headed “Overall Investment” differ from the figures on the next slide. For example, the overall figure for growing business for 2006-07 is £170 million but, if we add up the figures on the next slide, the total for growing business is £147 million. For global connections, you have £106 million on the overall investment slide, but the total of the figures on the next slide is £94 million. For learning and skills, the figure on the first slide is £162 million, but that goes down to £148 million.

Charlie Woods: The second of the two slides shows project examples. I did not include the costs of the staff who will actually deliver the projects—for example, the business advisers who carry out the growing business activities or the people in our overseas offices who attract inward investment. You would need to add in those costs to take you back to the figures on the overall investment slide.

The Convener: So the second set of figures excludes management and administration.

Charlie Woods: No, they exclude the operational costs of delivering the services—not the management and administration costs, but the costs of the people. With many services, such as business advice, the service is the people, to a large extent. The one exception is careers. We included the cost of the careers staff because it is such a significant proportion of the total.

The Convener: So the operational cost for growing business would be £23 million.

Charlie Woods: Yes. It is of that order.

The Convener: For global connections it would be £12 million.

Charlie Woods: Yes.

The Convener: And for the other one it would be £14 million.

Charlie Woods: Yes.

Jack Perry: It is important to remember that, in our more detailed plans, we are looking for a 2.4 per cent reduction in operational staffing costs. That is on top of the reductions in network support costs, and it is despite the fact that we have some substantial increases in our pension costs and the normal cost-of-living increases in salaries.

The Convener: Thirdly, you referred several times to your legal commitments and the amount that you are legally obliged to dole out this year from the £516 million cash. Can you tell us the total for your legal commitments?

Jack Perry: Our total legal commitments come out pretty much at our budget for the entire year, at this time. There is little free spend left after our commitments. We should be clear that not only legal commitments are included, because we have protected items such as modern apprenticeships and the skillseeker programmes. We might not have a full legal commitment to those programmes, but we have made a commitment to deliver them and their outputs. If you take our total legal commitments and add the commitments that we have given an undertaking to the minister to preserve, our budget is pretty fully committed on day one of the year.

Last time we spoke to you we talked about how we have significantly overplanned in every previous year, but I make it clear that there is no element of overplanning this year. We know that many of the commitments will not materialise as planned. This week, you might have seen reports about the new bridge over the Clyde, which Glasgow City Council has reformulated will now cost £22 million instead of £63 million. We are partners in that project, so we will not be spending as much on it as we forecast. Similarly, we know that there will be slippage and delays in commitments and we know that some conditions that are required of our customers will not be met.

As the year progresses, we will start feeding in projects from our stack of additional projects, which are the ones for which we do not have legal commitments. On day 1, we are pretty fully committed.

The Convener: And there is no spare capacity. If someone comes along with a big inward investment proposal that requires some assistance from Scottish Enterprise, you will need to get some more money from the Scottish Executive.

Jack Perry: Yes, or we will free it up through on-going prioritisation. Our programme changes

significantly during the year. That has always happened, for the reasons that I have just outlined.

Further, many of the projects have long gestation periods. For example, in total, the negotiation on the translational medicine research collaboration, which is a big, meaningful project, took well in excess of a year. Occasionally, we will need to move extremely quickly in relation to certain projects. In such cases, we will try to make space available either by prioritising existing commitments or by seeking additional support, if they are great projects. However, we would always have done that. We have received additional support from the Executive when there have been great opportunities that have been in excess of budget.

Sir John Ward: In previous years, the pipeline at the beginning of the year has been of the order of £600 million or £650 million, which is way beyond our budget. Usually, that figure starts to erode quickly around August. Last year, it did not erode but, this year, we think that we have a more robust pipeline. However, the board will look carefully for signs of erosion. Part of the erosion is to do with slippage and part is to do with things disappearing as we go forward. Our challenge is to make the pipeline more robust, as that will give us more choice.

Christine May: I do not dispute the difficulty of prioritisation or the task that Government has set you in relation to the management of those priorities. However, I would like to concentrate on the skills and training aspect.

The slide on overall investment shows a decrease in investment in skills and training of 7 per cent. Could you discuss a little further the scope for savings in management costs? I am thinking about the difference between the figures that the convener asked about.

How are you going to be able to ensure that you meet the Deputy First Minister's assurance to Parliament that you will fulfil the commitment to reach a figure of 30,000 modern apprentices? I have read an e-mail from the Scottish Training Federation that says that it is still concerned about reports from training providers of cuts of 11 and 12 per cent and of contracts that cannot be let this year because of a lack of funds.

Jack Perry: There is a good reason why you have received lobbying of that nature. I think that the Deputy First Minister made it clear that we issued interim budgets to all our business units based on the worst-case scenario, before the receipt of any additional funding. That would have meant significant cutbacks in some programmes. On Thursday, we received an indication of additional funding; the board met on Friday; and

we are seeing you today. We are working through things in order to be able to issue our detailed operating plan. We have fed significantly more funding into skills and learning to make up some of the shortfall. However, you are right to say that there is an absolute reduction of about 7 per cent. Some £3 million of that relates to the completion of our role in the new futures fund.

We feel that there is scope for further significant efficiency savings and benefits. Although Scotland performs well—the completion rate for programmes such as modern apprenticeships is about 18 per cent higher in Scotland than it is down south—we have only about 140 training providers in Scotland, which is down from more than 300 three years ago.

16:00

If we consider performance across local enterprise companies, completion rates vary significantly—not by industry, but across the piece. In modern apprenticeships, the rates range between 47 and 74 per cent, which our best performing LECs deliver. In skillseekers, rates range from 57 to 73 per cent, and in the get ready for work programme, the range is between 34 and 66 per cent. In training for work, completion stands between 24 and 54 per cent.

There would be a great opportunity if we could get everyone up to the best-in-breed standard. Some improvement will come from the further rationalisation of providers, but we know that we can get better results out of providers than we are getting at the moment. We are doing well by comparison with anywhere else in the United Kingdom, but there is still scope to do better.

The cost of non-completion across all our national training programmes comes to £33 million. If we can get better outcomes—and we believe that we can—there is a big prize to be had. What we are building into this budget is achievable. We can preserve outcomes and get better value for money for the taxpayer. That is an important objective.

Christine May: Thank you. I will pursue that theme and let my colleagues talk about other areas. The Scottish Training Federation is talking about approximately 400 redundancies in the training sector. Would that mean shaking out of the system the least good, or worst, elements?

Jack Perry: I suspect that that figure might have been based on the Scottish Training Federation's understanding of what the budget might have been before some more funding was fed back into the programmes. I have no way of knowing at this stage what the impact will be on individual providers. To some extent, that is a matter for them. It is up to us to make sure that we get

delivery on the outcomes that we want from the programmes that we are funding.

Murdo Fraser: I want to pick up on the point about learning and skills. The headline figure shows a 7 per cent reduction in spend. The table on the overall investment slide shows a breakdown of the headline spend into each different training programme head. Unfortunately, you do not give us the figures for the current year for comparison. Do you have that information with you?

Jack Perry: We would be very happy to provide that. We can give you some indication of how that table works and show that some growth has taken place in some of programmes.

Charlie Woods: This year, £50 million will be spent on modern apprenticeships, and next year approximately the same amount will be spent. Skillseekers and get ready for work will have about £2 million less spent on them in the current year, as will training for work. Construction skills, workforce development, Futureskills Scotland and Careers Scotland will receive £1 million more.

Jack Perry: That is a flat rate for just about all those programmes.

Murdo Fraser: I make that a £4 million reduction in the budget.

Charlie Woods: In addition, there is the £3 million that Jack Perry said would come off. Some smaller local programmes will also see a reduction of approximately £3 million.

Murdo Fraser: Right. Is your total £13 million?

Charlie Woods: Yes.

Murdo Fraser: So that all adds up to £13 million.

Charlie Woods: There will also be reductions in staff costs because we assume that there will be a reduction in the cost of running the programmes as well.

Murdo Fraser: I understand all that.

Charlie Woods: We can put the figures together for you quite quickly. When we pull the whole thing together in detail, we will obviously share all of it with the committee.

Murdo Fraser: That is fine, but it would have been helpful if you had given us the figures for last year.

Jack Perry: Please understand that we have had one working day since we got notification of what our budget is going to be, so some of the information has been pulled together relatively quickly. We are undertaking to issue an outline operating plan by the end of this week.

Murdo Fraser: That is helpful. Can you just reassure me that the headline figure for modern apprenticeships will be unaffected?

Charlie Woods: It will be approximately £50 million.

Jack Perry: Did you mean unaffected in relation to outcomes?

Murdo Fraser: Yes.

Jack Perry: We are preserving a headline figure of 30,000 places. Of those, 27,000 are delivered by Scottish Enterprise; the remainder are delivered by Highlands and Islands Enterprise.

Murdo Fraser: You talked about bearing down on overhead costs and introducing more efficiency, which I think would be welcomed across the board. Did Scottish Enterprise or any of the LECs have tables at the Bill Clinton dinner last week?

Jack Perry: No. Some people were invited as guests, but I was not one of them.

Mr Frank McAveety (Glasgow Shettleston) (Lab): The figures with which I have been provided show that last year the money available for property investment in Glasgow was between £14 million and £16 million. Until last week's speech by the Deputy First Minister, we were talking about between £8 million and £10 million. However, yesterday, I was told that £1 million was available for projects other than legal commitments to the city of Glasgow. Is that a reasonable guesstimate?

Jack Perry: I cannot confirm that at this stage. We are in the process of filtering down all our budgets to individual business units. I cannot tell you whether the figures that you have were pre or post the additional funding that the Deputy First Minister announced.

Mr McAveety: The DFM made his announcement last week, and you have had 24 or 48 hours to process as much as you can from it. Who is calling the shots? Who is determining the priorities in legal terms, given the commitments that the LECs have entered into, which are still to be finalised but are critical to the work that they do? You have said that a pipeline was developed in the past year to try to encourage a flourishing of ideas. Who is determining the priorities between now and next week? Will it still be the star chamber? Will there be more flexibility for LECs?

Jack Perry: Our first priority is to ensure that we meet our commitments. Beyond that, there will be prioritisation based on the return on investment that we get. As I think I indicated earlier, we were fully committed at the start of the year and we will deliver on those commitments. Please remember that those commitments were, for the most part,

devised and developed by LEC boards, which have a strong continuing role in ensuring that we deliver what we promised. Legal commitments are pretty well known, and prioritisation of them is done and dusted. John Ward talked about the supervisory role that metropolitan boards will have and the role of local enterprise companies. There will be a collaborative process in relation to any free discretionary money that becomes available during the year.

Mr McAveety: Will the LECs agree the budgets or will you set their budgets and let them take the difficult decisions?

Jack Perry: We will set and agree capped budgets with every business unit—not just the LECs, but the business units in Atlantic Quay. We have found that, during the past few months, the LECs have been extremely creative in finding additional sources of funding and ways of leveraging in more partner contributions. There is nothing like a shortage of money to concentrate the mind and produce efficiencies in the way that we spend it. I do not regard the process as being wholly negative—far from it.

Mr McAveety: I could take a snapshot in the area that I represent of legal commitments and on-going potential moral commitments. Would adult modern apprenticeships be seen as a legal commitment rather than a moral commitment?

Jack Perry: There is no legal commitment to them, but we have made a commitment to them, which you could call a moral commitment. We have agreed to preserve outcomes in that regard.

Mr McAveety: Given the DFM's announcement, I would have thought that there would be a compelling commitment to them. Would a commitment to training for work for those on incapacity benefit be a moral commitment?

Jack Perry: Again, we have fed more money into that and we will preserve the outcomes that we promised.

Mr McAveety: What about significant elements of the regeneration statement, such as regeneration at the Clyde waterfront and the Clyde gateway?

Jack Perry: We said today that we are protecting the priorities in the Executive's regeneration statement and, specifically, the projects to which you refer.

Mr McAveety: In my constituency area, I imagine that there may well be a potential obligation on moral grounds: the Commonwealth games.

Jack Perry: I beg your pardon?

Mr McAveety: Have any commitments been made to the Commonwealth games bid?

Jack Perry: I honestly cannot tell you at this stage. Much of that work is well beyond 2006-07, although elements of it come within the Clyde gateway, which is one of the regeneration priorities.

Mr McAveety: Finally, what about the Kelvingrove gallery?

Jack Perry: I honestly cannot tell you at this stage.

Mr McAveety: I am concerned about it because it is a major city project and I have heard that there might be difficulties around it. Can you find out more for me about that?

Jack Perry: At this stage, I cannot tell you what the outcome will be. Please understand that we have 5,000 live projects in Scottish Enterprise and that I cannot give you undertakings at this stage concerning all 5,000.

Mr McAveety: I accept that.

Shiona Baird (North East Scotland) (Green): My first question is a specific one, too, so you may not be able to answer it. Reference was made to the importance of the life sciences industry. Will you continue to support the life sciences MBA project?

Jack Perry: I am aware that a question has been raised about that specific project, but at this stage I cannot give you an answer on it.

Shiona Baird: I hope that you can assure me that you will give the matter serious consideration.

Jack Perry: We will give it every consideration. However, as I stressed in my opening remarks, the difficulty is that everything we do is a priority for somebody.

Shiona Baird: I appreciate that.

Jack Perry: We made it clear that, even with the additional settlement, we will not be able to do everything. I understand your concerns and, given unlimited funding, I would like to pursue the life sciences MBA. However, I am sorry to say that I cannot give you an answer at this stage on whether we can pursue that this year.

Shiona Baird: My other question is much wider. Reference has been made to sustainable development. If I may, I will quote briefly from your standard operating rules:

"increasingly, economic development policy will be concerned with promoting and rewarding methods of production which reduce resource and energy use and which minimise pollution."

To what extent do you take on board what that really means? Can you give me examples of the demotion of industries that could be classed as running counter to the criteria in your statement? I will fling in another question, if I may. How do you

reconcile that statement with your consideration of the development of eight new air routes?

Charlie Woods: As I said in my introductory remarks, we try to mainstream our work to promote sustainable development as much as we can. We try to regard that work not as something separate but as part of businesses development. If we help firms to reduce resource inputs and waste through lean manufacturing activities and so on, we can contribute to both environmental improvement and business development. Through activities such as lean management and advice from account managers, the business gateway can be more alive to sustainable development concerns. I am not sure about demoting industries, however.

Shiona Baird: You talk about promoting, so the opposite would be demoting—or, at least, not supporting.

Charlie Woods: Or looking to help firms to understand how they can improve their performance on emissions and the like. We would do that rather than necessarily pursue demotion.

Jack Perry: On the air routes question, I suppose that that illustrates the difficult juggling act that any economy must perform. We know, and our customers frequently tell us, that Scotland is at a competitive disadvantage compared with many of our competitor economies because of our peripherality and lack of direct connectivity. I am conscious that many people who are trying to do business with the rest of Europe still have to take two flights, not one. They have to go to London first and then fly on from there. If we are attracting more direct air routes to Scotland, that could result in net carbon savings, as people will more often take one flight, rather than two.

16:15

Sir John Ward: We have some unique advantages in the whole area of energy because we have every energy source in Scotland. The work of ITI Energy in our priority industry of energy will produce one of those advantages. We must concentrate heavily on what we can do, and not only can we do something here in Scotland but we might even do something that creates a globally sustainable industry. That is probably the area where we can make the greatest single difference, as opposed to trying to embed things into our different programmes, as Charlie Woods said.

Susan Deacon (Edinburgh East and Musselburgh) (Lab): I am conscious that our discussions have repeatedly focused on budgets and restructuring. By necessity, much of the emphasis has been on budgets. I will return to the subject of structure, although I will perhaps also draw out the link with your budget in the light of

recent announcements. I will start with the issue of the proposed future decision-making structure. I have asked you about that previously, and I asked the Minister for Enterprise and Lifelong Learning about it when he appeared before the committee. I think that I have finally pieced certain things together, although I am sure that you will correct me if I am wrong.

There seems to have been general agreement throughout on the need to retain the local involvement of businesses and 12 local enterprise organisations. Indeed, the minister made great play of that, saying that it was evidence of strong support for Scottish Enterprise. He backed your

“proposal to retain the 12 local enterprise companies as well as establish the metropolitan regions.”—[*Official Report, Enterprise and Culture Committee*, 2 May 2006; c 3027.]

He also made it clear that he

“asked Scottish Enterprise to retain local decision making”.—[*Official Report*, 30 March 2006; c 24610.]

I think that it was Sir John who clarified the situation:

“What was under debate was whether the LECs should retain statutory limited company status, with all the corporate governance issues that that entails.”—[*Official Report, Enterprise and Culture Committee*, 25 April 2006; c 2959.]

Given that that is where we have ended up, could you please clarify the cost implications of that decision? In particular, can you comment on—I am loth to use such material, but this comes from yet another attributed comment somewhere in the press—the recent suggestion that there could have been a reduction in posts of as many as 200, or that those posts could have been directed elsewhere, had the decision to retain the full statutory limited company status at LEC level not been taken?

Sir John Ward: I can deal with the structure; Jack Perry can perhaps deal with the cost issues. Strategic decision making rests with the Scottish Enterprise board and execution rests with the executive board that Jack Perry chairs. Quite a lot of the structures for building key industries are there already, such as the financial services advisory board, the three ITIs and the tourism strategy.

It is a matter of increasingly trying to use those structures and the resegmentation of customers to get customers and key industries to tell the boards what people want, rather than our telling them what they will get. We are trying to build a route for demand statements to come to us. Rather than try to do everything at the centre, we would execute the task through what we have identified as the metropolitan supervisory boards. They would not be limited companies but would be comprised of

the people who chair the LECs and would be able to bring in local businesspeople and selected council leaders. They would also have a responsibility to come up with longer-term plans. Much of our decision making is quite short term, and short-term execution would rest with the LECs.

We have some pilot agreements with the LEC chairmen, to which I have referred previously. Those agreements concern the interrelationship between a metropolitan board and a LEC. The LEC should be given a discrete amount, the use of which would be at its discretion. However, the metropolitan supervisory boards will have to have some ability to make determinations. I think that Jack Perry used the example of the River Forth, where there are five competing ports, and we have to sort out what we are going to do with each one. The metropolitan boards should be able to do that type of work and should have some ability to claw back. That would be the structure.

In the longer term, we will have to consider carefully how individual LECs will work and how the metropolitan areas will work. I am not trying to second-guess what the future might be; we will have to find our way through the process.

As I said in my introduction, we would be looking to bring in the supervisory boards sometime in the second half of the year—I actually said in the last quarter, but it would be some time in the second half. Our big challenge is to try to get the metropolitan view in place by June. The work has been going on since the end of last year. It is very much a challenge to Jack Perry and his team to begin to join up the work that we do. Rather than leaving things in 12 pockets, we should try to join up the east and the west. We should charge competitive place—which is a separate organisation within Scottish Enterprise—with looking at Scotland, in terms of connections, as a single metropolitan area. Those plans are being put together. They will inform the metropolitan supervisory boards when we create them. That is the structure that we will move to by the end of this year.

Jack Perry: Early in our consultation, we decided that we would keep the 12 LECs as important agents of delivery of our service. It became clear during our discussions that we should do that; the only debate was whether they should remain as statutory limited companies. We considered a number of permutations for rationalising the network structure, which could have resulted in head-count reductions. However, to attribute a loss of a couple of hundred posts purely to a change in statutory status is probably very wide of the mark. There is a definite support cost, but I cannot give you a precise figure.

We made our decision—with the LEC chairmen—well before the beginning of this year, as a result of consultation. Many business groups lobbied for the retention of LECs as statutory limited companies. However, I do not have a figure for you for the cost of retaining the LECs as statutory limited companies.

Susan Deacon: I presume that, as you make progress in establishing the new decision-making arrangements that you have described, we will have some opportunity to see the associated costs.

Jack Perry: Sure.

Sir John Ward: Both ways—up and down.

Susan Deacon: I do not know what opportunities we will have during further committee discussions, but it would be helpful for us—perhaps in a report or an informal briefing—to learn more about the new arrangements. We may discuss that later this afternoon.

I want to follow a similar line of questioning to the one that I followed with the minister last week. How will you move on from here? I will leave to one side the issue of why the present situation has arisen, although I need hardly remind you that there has been a great deal of heated and contentious debate in recent months, in full public view, about the organisation, its budget and its structure. However, I am sure that this week's decisions represent a significant watershed. How will you address the questions of perception and reputation and how will you restore confidence in the organisation?

Jack Perry: That is a key question, and one of which we are acutely aware. We are greatly encouraged that the business community has been enormously supportive. Our customer base is very supportive. A number of our customers have been unsettled and concerned by rumours and what they might mean for our support for those customers, but key members of the business community have gone public with their support.

In addition, I have received many letters and e-mails in which people have expressed support for Scottish Enterprise's direction of travel and sympathy for the highly public nature of the wrangling in which we have been involved. We have had similar messages of support from many of our staff. It is important that we start with a reasonably good support base among our customers.

We must publish our operating plan as soon as we can. I hope that we have given you a flavour of the extensive range of exciting projects that we will deliver in the next year. One of my fears is that with all the speculation about the budget and the

talk of crisis at Scottish Enterprise, people are losing sight of the fact that next year we will spend £550 million on Scotland's economic development. We will deliver many exciting programmes at a time when we probably have better leverage than we have ever had and a more coherent view of how those programmes respond to industry demand and how they hang together better in a metropolitan context.

All that we can do is get our heads down and get on with serving customers and delivering projects and outstanding results for Scotland, which I think we can do. That is what we would love to have the opportunity to do. The short answer to Susan Deacon's question is that I know of no other way in which we can restore some of the confidence in Scottish Enterprise that might have been eroded.

Sir John Ward: The board's feeling is exactly as Susan Deacon has expressed it. We must get our heads down and deliver on continuing to improve the organisation's effectiveness, shortening our timescales for decisions, reducing bureaucracy and tackling the issues that have upset our customers over the years. We need to get on with it.

Susan Deacon: Thank you very much.

The Convener: I have three or four short, sharp questions. Will there be any redundancies in the Scottish Enterprise network as a result of the budget problems or the restructuring, or for any other reason?

Jack Perry: We are looking at some reduction in our head count, largely through attrition. I cannot give you a firm undertaking on that because we need to go through the detailed work on our budget. We anticipate that there will be some reduction in our head count, largely through attrition.

Sir John Ward: That will be a result not of the budget, but of the organisation's continuing development.

The Convener: Do you have a ballpark figure for that?

Jack Perry: Not at this stage. We have indicated that we want to reduce our payroll costs by about 2.5 per cent.

The Convener: To an extent, my second question comes back to perception, which Susan Deacon mentioned. Even before the current problem, I was worried about the quality of some of the spending. For example, £194,000 was allocated to CBI Scotland, which is a lobbying organisation, and £60,000 was spent on recruiting the director of the Scottish manufacturing advisory service, which was a job that paid only £50,000 initially. About £350,000 was spent on recruiting the chair and the four chief executives of the ITIs.

Three of the chief executives have now gone and there is a new chairman in place.

I do not want to get into the specifics of those examples because obviously, given the events of the past few months, we will talk to you about the budget later in the year, when the budget cycle comes round. However, there is a perception that a fair chunk of the money that was spent in those three examples was wasted. We are talking about a lot of money. I have been in international business, so I know the cost of recruitment. On the face of it, expenditure of £350,000 and £60,000 on a handful of jobs and the allocation of £194,000 to CBI Scotland do not appear to represent good value for money.

Jack Perry: According to any of the benchmarking—I know that we have provided the committee with information on that—the performance of Scottish Enterprise stacks up very well. As part of the business transformation project, Scottish Enterprise took down its head count by 25 per cent. We reduced the number of posts by 560 and achieved savings in our spending of £170 million over five years. KPMG reviewed those savings and its comment was that what we had done was the best example of public sector reform that it had seen in the United Kingdom.

On the individual examples that were quoted, the CBI Scotland figure covers a six-year period. We support and work closely with just about all Scotland's business organisations. Their primary role is to support business and is not necessarily just lobbying.

16:30

There are reasons for all the recruitment costs that were mentioned. Good people are expensive to recruit. People in industry will confirm that the person whom we have hired as director of the Scottish manufacturing advisory service is an outstanding individual. We had to go to the well twice for that post, but I am sure that the committee would not have wanted us to hire a second-best candidate for such an important service.

The Convener: I was just registering the point that some of the spend appears excessive.

Jack Perry: I appreciate that, but please understand that the position that I am coming from is that every pound ought to be a prisoner. We have been on a constant programme of reducing our overhead costs. Under my change agenda last year, we targeted £3 million of pure overhead costs that we were able to eliminate on top of the business transformation savings. We have other work streams that continually attack the organisation's cost base. That is something that

we feel acutely. If we are benchmarked against similar regional development agencies or even against HIE, Scottish Enterprise will be seen to compare very favourably.

The Convener: We do not have time to pursue that, but I am sure that we will do so when we deal with the budget.

Finally, I appreciate that, as you have had only one working day since the award of the money on Thursday and the board meeting on Friday, it was fair to reply to a number of our questions by saying that the requested level of detail was not ready to hand. First, can those questions that could not be answered for those fair reasons be answered in writing following the meeting? Secondly, I think that Jack Perry said that he hoped to have the detail of the revised operating plan by the end of this week—

Jack Perry: We hope to have an outline operating plan by that time; the detail will follow. The committee will recall that Charlie Woods gave the caveat that the plan still has to be agreed with the Executive. The minister's letter to Sir John Ward mentions that further detailed guidance will be issued to me in due course, but we have yet to receive that guidance.

The Convener: I appreciate that. Obviously, it would be useful if we could receive copies of the outline operating plan and detailed operating plan as and when that is appropriate.

Jack Perry: We will be happy to provide that.

The Convener: Thank you very much indeed. I said that we would get you out of here by 4.30, but it is now 4.32. I am sorry that we are two minutes over time.

Jack Perry: I think that we can forgive you. Thank you very much indeed. We appreciate your consideration.

The Convener: We move on to the next item on our agenda. Item 4 is to consider how we want to take forward the work that we have done on Scottish Enterprise.

Christine May: We should agree the report.

The Convener: My own view is that a number of policy issues have been raised that legitimately require some comment from the committee. To be fair, there are also issues to do with whether Scottish Enterprise's budget is adequate for what it does and whether the organisation spends its budget wisely.

Policy issues have also been flagged up around resource accounting allocations. When resource accounting was introduced by the Treasury, it was brought in on the condition that it would have a neutral impact on cash budgets. Clearly, resource accounting has not been neutral in this case,

primarily because it appears that the original resource budget for Scottish Enterprise—we will leave to one side the issue of who decided the original allocation—was inadequate. As was pointed out in our first evidence session, the original figure for Scottish Enterprise was about £9.5 million, whereas the figure for HIE was £14 million. It would be fair to address that policy point. Obviously, we can also comment on what has happened over the past few months and on the many issues that have emerged from our evidence sessions.

One way forward would be to ask the clerks to prepare a paper that we could consider at our next meeting in two weeks' time. The paper could highlight the issues that have come up so that we can decide what, if anything, we want to say on each issue. Alternatively, we could simply write a letter to the Executive and to Scottish Enterprise to highlight some of the issues without making any specific comment. I think that, having spent a fair bit of time on the matter, we should make some comment, but that must be thought out and careful and must cover a mixture of the policy issues and the operational issues that have been flagged up.

We have ultimate responsibility for the budget process, which includes Scottish Enterprise's budget. I am open to suggestions from the committee on how to proceed.

Christine May: I apologise for saying that we should agree the report, as that comment was entirely inappropriate. I thought that you had moved on to item 5.

The Convener: I wondered what you were saying.

Christine May: That was a slight lapse of concentration.

We need to consider what we want to say and take time to reflect on what we have heard. Discussions have all been conducted in a frenetic atmosphere over the financial year-end with all kinds of speculation and rumour. I would appreciate the time to think and to consider what the essential policy points are and what questions about policy we might want to address—they fall properly within the committee's remit, because the minister is accountable to us for what he does with the budget.

Your suggestion that an issues paper should be prepared is helpful. It is essential to couch comments within the committee's remit and responsibilities and to consider where we might want to raise issues.

The Convener: The wider issue is that the total additional funding of £75 million over three years that is being made available to Scottish Enterprise will have to come out of other parts of the enterprise and lifelong learning budget and will

count against the departmental expenditure limit, which has not been increased.

Murdo Fraser: I make the same point as you did that one issue is the impact of additional spending on the remainder of the Enterprise, Transport and Lifelong Learning Department's budget. Despite the best endeavours that you and I made on Thursday to ask the minister where the money would come from, we did not receive an answer. We need an answer to that important question, so that we can see the whole picture.

I agree with Christine May about having a paper. In the meantime, there is merit in our writing to ask the minister what will be the impact on the remainder of the budget of the decision that has been taken.

Susan Deacon: Now that the decision on the budget has been taken, it is entirely legitimate to ask for that clarification. When that question was in the air earlier, I thought that asking it would have been premature. The question sits apart from what we decide to do about wider comments by the committee.

I have no difficulty with the suggestion that the committee should make some considered comment that arises from our deliberations. I will simply note an issue about which we have had quite a bit of conversation informally and around the committee in recent weeks. In producing a paper, we must be careful—I am sure that the clerks will be mindful of the matter—to differentiate questions that have been raised and themes that have run through the questioning from the collective view of the committee. It is easy to drift from one to the other, especially when the convener has been outspoken on the issue and has expressed views with which the rest of us do not necessarily agree, as he has made clear on other occasions. I add the caveat that in any paper that is produced, anything that is expressed as a committee view must be explicitly agreed as such.

The Convener: Absolutely. I have always been careful to make it clear that I am speaking personally.

Do we agree to prepare an issues paper for committee discussion? We can treat that as a draft report: it will be in confidence until we have agreed it. Alternatively, do members want to make that paper public?

Christine May: No, I think that we should receive a private paper that we can discuss and agree on.

The Convener: That is what I mean. We would deal with the paper in the same way that we would deal with a draft report. Are members agreed?

Members indicated agreement.

The Convener: The second recommendation, which Murdo Fraser made, is that in the meantime we write to the minister, seeking more specific answers to the question of funding over the three-year period if, indeed, the third £25 million tranche is made available. Are members agreed?

Members *indicated agreement.*

Bankruptcy and Diligence etc (Scotland) Bill

16:40

The Convener: Item 5 concerns the Bankruptcy and Diligence etc (Scotland) Bill.

I want to cut to the chase on this matter. In our earlier private session, we agreed our stage 1 report on the bill. That report will be published at 1 minute past midnight and will form part of the material for consideration in the stage 1 debate, which we expect to take place on 24 May. If, after that debate, the Parliament agrees to our recommendation that the bill's general principles be accepted, we will move to stage 2, which is taken entirely in committee.

After informal discussions, particularly with Allan Wilson, the minister piloting the bill through the chamber, and committee members, I think that we can say that the bill has four elements. The first and fourth elements, which relate to particularly long, complex and technical stretches of the bill, will probably be subject to many amendments, not least from the Executive itself. On the other hand, the second and third elements are relatively uncontroversial, straightforward and much less susceptible to being amended. As a result, do members agree that, subject to agreement by the office of the Minister for Parliamentary Business, we consider part 2, on floating charges, followed by part 14, on admiralty actions and arrestment of ships, and then take the remaining sections in the order in which they arise in the bill?

Christine May: That makes absolute sense.

The Convener: I am looking forward to discussing admiralty actions and the arrestment of ships. I am sure that the subject will detain us for several hours.

Taking that suggested course of action would give the Executive the summer recess to prepare amendments on the bill's more complex aspects. Are members agreed?

Members *indicated agreement.*

The Convener: With that, I remind members that there is no meeting next week. Our next meeting will take place a fortnight today at the usual time of 2 o'clock.

Meeting closed at 16:42.

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